



A Strategy for Culture

Canadian
Conference
of the Arts

A Strategy for Culture

Proposals for a

Federal Policy

for

The Arts

and

The Cultural Industries

In Canada

Canadian Conference of the Arts /
Conférence canadienne des arts

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Dedication

This preliminary DEDICATION, in lieu of a FOREWORD, has been extracted from that seminal work of Canadian criticism, SARAH BINKS, "le doux chantre de la Saskatchewan," by the celebrated scholar and gentleman PAUL HIEBERT, possessor of an MA in Gothic and Teutonic philology, a CHEMIST and a WESTERNER who has understood CANADA more completely than is necessary:

Sarah was not to acquire (her) wider patriotism until she had studied geology, in fact not until she had been to Regina. But what she did acquire at this stage was that easy delivery which marks the master of technique. Sarah's conceptions were always quick, and her emotional responses immediate. None of those qualities which mark the poetess at her greatest were lacking except experience. That she was already aware of her genius and at the same time conscious of her limitations she reveals in those beautiful lines, The Genius, a little gem of self-revelation, in which she pictures herself as already the complete artist:

I'm a genius, I'm a genius,
What more can I desire,
I toot upon my little flute,
And twang upon my lyre;

I dabble in oil paint,
In cinnebar and ochre,
All night I am dissipated,
And play poker.

In my little book, in my little book,
I write verses,
Sometimes they don't rhyme -
Curses!

Sarah was beginning to find herself.

Canadian Contents

Dedication	iii
Preface	vii

Part I - Cultural development and the federal government

1. Canadian cultural development	3
2. Basic problems	17
3. Objectives	23
4. Basic principles for federal cultural policy	27
5. The federal role in cultural development	33

Part II - Some major federal cultural policy issues

1. Copyright	47
2. Tax policies	51
3. Immigration	57
4. Impact of new technologies	61
5. Federal cultural agencies	63
6. National non-governmental organizations	71
7. Professional training	73
8. Arts and education	75
9. International cultural relations	77
10. A new source of funding	81



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<u>Part III -</u>	The arts and the cultural industries: Sectoral analyses and recommendations	
1.	The arts	
	Performing arts	89
	(Dance, Music, Opera/Lyric Theatre, Theatre)	
	Writing	97
	Visual arts	105
2.	Crafts	109
3.	The cultural industries	
	Introduction	115
	Broadcasting	119
	Film	143
	Book publishing	167
	Magazine publishing	177
	Recording	185
4.	The environmental arts	191
<u>Part IV -</u>	Conclusions	195
<u>Part V -</u>	Summary of recommendations	203
<u>Appendix -</u>	List of CCA Organizational Members	227

Preface

This above all. . . listen to what the artists themselves have to say. The thing is, they're usually right.

Peter Dwyer

The Annual Meeting of the Canadian Conference of the Arts held in Ottawa on May 15, 1980, passed the following Resolution:

That the Canadian Conference of the Arts develop a comprehensive cultural policy in close consultation with the membership for presentation to:

- any new commission of enquiry that the federal government may establish
- the federal Cabinet
- the people of Canada.

This action was prompted by the same growing concern among the arts community that sparked the formation of the 1812 Committee in 1978 to publicly express our alarm at the destructive cuts that were being made in the arts and the cultural industries. The 1812 Committee worked through the Canadian Conference of the Arts. The above Resolution and this paper mark an outgrowth of that co-operative effort, and represent a direct extension of the work of the 1812 Committee.

We intend A Strategy for Culture to provide, among other things, the agenda for a second important meeting between the cultural community of Canada and the Government of Canada - the first having been that with the 1812 Committee on October 26, 1978 - a meeting that will, we trust, mark the start of regular discussions between the Canadian Conference of the Arts and the federal government similar in spirit and importance to the major regular consultations the government holds with other national groups such as the Canadian Labour Congress.

This paper has been prepared by a group of working professionals in the arts and the cultural industries. In accordance with our instructions we have consulted widely with the membership of the Canadian Conference of the Arts, which comprises 520 groups and over 650 individuals who represent and work in every discipline, every form of art, all the cultural industries, in all regions and most of the languages current in Canada. Obviously such a diverse group cannot hope to agree on everything; what has impressed and encouraged us is the wide range of matters- including the most basic- on which we do agree.

Another of our purposes in A Strategy for Culture is to follow up on a strong suggestion made to us by the Prime Minister when we met with him as the 1812 Committee on October 26, 1978, a point he reiterated in his remarks to the Juno Awards on March 21, 1979, that there is a continuing need to remind governments, the public, elected representatives, even ourselves, that the arts and the cultural industries of Canada are an important part of the total social economy of Canada, an integral part of our investment in the Canadian future, to remind the Government of Canada that we still do not have the national cultural policies any modern country needs, and that, as the Prime Minister put it, these matters "are all very, very basic."

This paper describes some of the major problems that are holding back a further development of cultural expression in Canada, and proposes action that can be taken now to build on the substantial achievements we have already made. At the heart of the problems is a major hurdle: we are having difficulty going on because we have still not settled where we are going. We are convinced that little progress can be made toward national cultural policy objectives until we clearly and publicly decide what those objectives really are.

A Strategy for Culture therefore recommends to the Government of Canada precise national cultural policy objectives and proposes basic principles which would give coherence and force to federal cultural policies affecting all sectors of the arts and the cultural industries.

This paper does not deal with a number of things. Because we are concentrating on creation and production, we have not surveyed the areas of heritage museums, parks, historic sites. We do not deal with matters related to multiculturalism. We have not yet been able to develop proposals related to some major issues that concern us, such as the need for a national program that would at last make possible the organized preservation and display of the applied arts, crafts, architecture, films, industrial designs, and so on. Nor have we attempted any examination of the present agencies, except for certain specific recommendations (contained mainly in the sectoral sections in Part III), primarily because while this job must be done it cannot, we feel, be effectively tackled until some very basic things have been decided.

One last word: this is not our last word. A Strategy for Culture is a statement of the basic aims on which we feel Canadians must agree if we are to continue to develop the arts and the cultural industries in Canada. We will in the future be developing detailed views on a wide range of matters based on these specific aims that are critical to this development - including the roles of the provinces and the municipalities. Our limited comment on inter-governmental relations, for example, does not mean that we are unaware of their importance or unconcerned about action that must be taken to strengthen the roles of governments at all levels. In regard to the corporate sector, we have proposed a major innovation in this paper, which we will be pursuing along with other matters related to corporate support for the arts and the cultural industries.

The Board of Governors of the Canadian Conference of the Arts, meeting in Ottawa on November 27, 1980, and after a full consideration of A Strategy for Culture, unanimously passed the following Resolution:

That we endorse and accept A Strategy for Culture, and proceed, acting on the instruction of the membership at the 1980 Annual Meeting, to at once present it to the federal cabinet, the people of Canada, and the Federal Cultural Policy Review Committee.

PART I

Cultural development and the federal government

The fate of a nation has often depended on the good or bad digestion of a prime minister.

Voltaire

Canadian Cultural Development

The cultural activities are the ones in which Canadians engage themselves the most... The cultural industries are bigger than steel in Canada, they're bigger than pulp and paper. Some six billion dollars a year. It's a big industry. And we have to remember that - we the audience - we the outsiders, we the government, we the onlookers. That if an artist creates and performs for himself or herself, he's also up against industrial competition. In Hollywood, in New York, in Europe and other parts of the world. And that's why it's not any more possible for any country to be without a cultural policy than it is to be without an industrial policy.

I like to think that the people of Canada, those who listen and hear you and often adore you, those who buy your records, watch your programs, go to your shows, I like to think that they are aware of that. And that the people they elect are aware of that too. Because it's extraordinarily important that a policy be set up to make sure that the artist is not overwhelmed by the industry. And that the artist in a small country has equal chance with the artist in a large country - no matter the industrial power of that country. And that is why you find some policies like Canadian content in television and you find a policy which wants the book and magazine publishing distribution industry to have a great Canadian content. Or you have a policy which wants to insure a greater distribution of Canadian films. And these are all very, very basic. And as we gather together on this festive occasion, it's worth reminding ourselves that our government, any government must be constantly reminded of that. And I can assure you that we are very often reminded of it - not only because we are admirers of the performers who are here tonight and who are gathered in other parts of the country - we realize that they are more than the contributors to an industry which is big business. We realize that they also express first their own soul, their own feelings, their own interior strength. But they also sing the song of Canada - they sing from the heart of Canada - they sing from the feelings of Canada. And for this reason they deserve our support.

Pierre Elliott Trudeau
at the Juno Awards
March 31, 1979

Thirty years on

It is now thirty years since the Royal Commission on National Development in the Arts, Letters and Sciences, led by the Rt. Hon. Vincent Massey and the Most Reverend Georges-Henri Lévesque, presented its Report, whose publication in 1951 was itself a major event in the cultural development of Canada.

Among the points made by the government in setting up the Royal Commission was its belief that "it is in the national interest to give encouragement to institutions which express national feeling, promote common understanding and add to the variety and richness of Canadian life," a matter to which the Commissioners paid special attention.

"The work with which we have been entrusted is concerned with nothing less than the spiritual foundations of our national life," the Report noted. "Canadian achievement in every field depends mainly on the quality of the Canadian mind and spirit. This quality is determined by what Canadians think, and think about; by the books they read, the pictures they see and the programmes they hear. These things, whether we call them arts and letters or use other words to describe them, we believe to lie at the roots of our life as a nation."

The Commissioners made a number of recommendations affecting broadcasting, film, our national cultural institutions, and a major suggestion - "That a body be created to be known as the Canada Council for the Encouragement of the Arts, Letters, Humanities and Social Sciences..." - whose implementation has had a great impact on Canadian life.

If the Canada of 1980 is a very different place from the post-war Canada that Massey and his fellow Commissioners studied and reported on, our cultural life in 1980 has changed beyond anything most Canadians could have expected in 1950, a result due in no small part to the stimulus the Commissioners themselves provided, which began to encourage governments, and citizens in all walks of life and in every region, to develop the astonishing potential of our ever-renewable, natural, national, cultural resources.

We've come a long way in those thirty years. Today more Canadians create and more Canadians enjoy that creation than we had any reason in 1950 to expect or hope would develop. Coast to coast, in every province, individual artists are at work. Canadians - and Canadian artists - have access to a growing number of theatres, galleries, dance companies, orchestras, museums. Television - which hadn't even been introduced into Canada in 1950 - is today a fixture in most Canadian homes. More books are being written and published than ever before. There has been an unruly explosion of feature film making.

While that success is remarkable, it has not only failed to solve many of the basic problems we faced in 1950, but has in fact made those problems more acute and the necessity of solving them more urgent. Thirty years ago Massey, Lévesque and their fellow Commissioners identified some major difficulties, including what they rather politely called "a lack of nourishment," and more emphatically termed "the tidal wave of technology." To deal with such problems the Commission noted the need for two things: "the will of our people to enrich and quicken their cultural and intellectual life;" and, "money."

As far as the first was concerned, after travelling from sea to sea and meeting and talking with Canadians of every description, the Commissioners believed that "the will of our people to enrich and quicken their cultural and intellectual life...is earnest and widespread among our fellow citizens," a belief that has been more than rewarded by the steady increase by Canadians both in a direct participation in and a growing support for the arts and for culture.

The money was harder to come by. The Commissioners addressed that problem in terms of priorities, drawing a comparison between the vast sums Canada was spending on defence and the pittance we budgeted for culture. "If we as a nation are concerned with the problem of defence," they wrote, "what, we may ask ourselves, are we defending?...The things with which our enquiry deals are the elements which give civilization its character and meaning. It would be paradoxical to defend something which we are unwilling to strengthen and enrich, and which we even allow to decline."

One is reminded of a recent wit who suggested that one way to solve Canada's cultural problems is to get our priorities right: we should, he thought, looking southward, switch the national defence and the culture budgets, thus providing a more reasonable scenario for survival.

It will come as no surprise that our own enquiry has uncovered many of the old problems - and some new ones.

There is still "a lack of nourishment."

The technologies are providing both exciting opportunities and what seem to many to be insoluble problems: the tidal wave has become an endless deluge driven by a tempest that threatens to engulf all.

Our examination of the problems has led us to concentrate on fundamentals. We have attempted to identify the main thrust that Canada should take in the arts and the cultural industries to carry us to the end of the century. And we have looked for major new initiatives that could help pay for what must be done.

We draw attention to two of our conclusions:

- 1) It is time for the Government of Canada to adopt clear, public objectives to guide the further development of the arts and the cultural industries, objectives that are based on a determination to make the creation, production and distribution of Canadian materials for the primary use of Canadian audiences the cornerstone of federal cultural policies.
- 2) It is time to explore the possibility of creating a major new, alternate fund for the arts and the cultural industries, the result of a co-operative partnership among business, the arts, and government. By supplementing existing resources such a fund would remove some of the chance and charity that devils present-day support of the arts, thus providing additional, more stable long-term investment in our cultural future. We call this new fund The Cultural Bank of Canada, and describe it in more detail later in this paper.

While we highlight these particular points, we stress that we do not believe there is any single or magic solution to the many problems to be tackled, and we present these and our other recommendations as contributions to an extremely complex set of interdependent, interrelated matters.

What has become absolutely clear to us in the course of our modest enquiry is that there must be a clear notion of where we are going, and of what we hope to achieve in the arts and the cultural industries in Canada, an understanding of what we mean by the Canadian materials on which we wish to see attention focused, a full recognition of the real support that the Canadian people have given, are giving, and will give to our own arts and cultural activity, and a determination on the part of everyone concerned, of the federal government, the provincial governments, the agencies, the corporate sector, the arts and the cultural industries, and ultimately of the people of Canada generally, in terms of the charge given the Massey/Lévesque Commission - as valid today as it was thirty years ago - to find ways to "give encouragement to [those measures] which express national feeling, promote common understanding and add to the variety and richness of Canadian life."

Canadian materials

Each of the objectives we propose in A Strategy for Culture centres on "Canadian materials," and it is important to understand just what we mean by this term.

While Canadians are perhaps most familiar with discussions of this subject in terms of "Canadian content" and regulation, we take a broader perspective. A determination to clearly define what we mean by "Canadian materials" and to work to increase the proportion of such materials in the inventory of works and performances available to the Canadian audience is one of the foundations on which real cultural development in Canada will be based.

We are concerned with the work of writers of Canadian books, magazine articles, plays, film scripts, television scripts, and songs; the work of Canadian designers and architects; the work of Canadian composers, craftsmen, painters, photographers, and choreographers. We are also concerned with the work of Canadian performers - actors, singers, dancers and musicians - whose performance reflects their own distinctive artistic interpretation, whether the work being performed is of Canadian or foreign origin. In a sense the arts of other cultures become Canadian through the interpretations of our own artists. Similarly in the performing arts, both live and recorded, the role of the director or the creative producer is a creative one, necessary both to the realization of our own original work and important as a means through which foreign cultural works become woven into the fabric of cultural life in Canada.

When we discuss the performing arts we are in all cases concerned that greater attention be given to performing Canadian materials. We distinguish performances by Canadians from performances of Canadian work and argue for an increased emphasis on the latter without, of course, diminishing the importance of the former. An important part of the justification of public support to performing organizations is, in our view, their essential role in

developing and presenting Canadian material. Similarly, support to public art galleries and other such public institutions ought increasingly to assume a special commitment on their part to purchase and exhibit Canadian paintings, sculpture and other cultural works created by Canadians.

With respect to the recording, film and television industries, two points should be made that affect the definition of Canadian materials. First, since our central focus is on the expression of cultural identity in Canada, we want to see an increase in the performance by Canadians of Canadian music, of theatrical film or television productions by Canadians based on original Canadian scripts, books and stage plays. This parallels our special concern with the live performance of Canadian music, plays, dance, etc. However, we also support the need to continue to encourage Canadian performances of foreign cultural materials, and this raises a critically important issue.

In our view, whether in the performing arts, sound recording, radio, film or television, what we mean by a Canadian performance is one in which the key creative roles, including the artistic direction as well as the performance, are carried out by Canadians. While there will always be, and should continue to be, an interest in having the best foreign actors, directors, producers visit Canada to perform, direct and produce here, it should be a primary objective of public policy to see that Canadian talent is developed in all of these areas, and that our own cultural institutions and production activities are increasingly under the direction of Canadians, with Canadians performing the key roles in the conception, direction and execution of performances.

It is important, as well, that Canadians control production and distribution activities in the cultural industries, and that in all cases government policies to encourage the development of these industries should concentrate on their development as vehicles of increased production and improved distribution of Canadian materials. Creativity in the cultural industries cannot flourish until the vehicles for its production and dissemination are strengthened.

We are convinced that cultural development must be the primary goal of government policy in the cultural industries. Cultural industries policy is a component of cultural policy and not of industrial development policy, although it will produce substantial industrial and economic benefits.

Whatever techniques are adopted to achieve these objectives, if they are not clearly designed to increase both the production and the use of Canadian materials, if they provide for endless exceptions, furnish loopholes and contain escape clauses, if they cannot be effectively and fairly administered, we will be wasting our time and energy.

The cultural interests and attitudes of Canadians

Are the arts and the cultural industries worth all the time we spend worrying about them? Obviously we who work in these fields think they are, but the trashing of the arts and culture was once - and in many circles remains - a respectable pastime. In the nineteenth century Gustave Flaubert digested a number of bourgeois views in his Dictionary of Accepted Ideas. There, "art" is defined as "the shortest path to the poorhouse," "artists" as "Charlatans... What artists do cannot be called work." A few years ago a Canadian Treasury Board official was credited with the comment, "Whenever I hear the word culture, I reach for my purse." Even some artists have not overestimated their importance: "Comedy," Spike Milligan once said, "is a way of making money."

But the final arbiter in such matters - as every artist knows, or quickly learns - is not the artist, the critic, or the bureaucrat, but the audience. All art assumes an audience, as Moliere was obviously aware when he made his observation that "the entertainment of decent people is a strange enterprise." Note the key words: entertainment, decent, strange, enterprise.

It is no wonder that artists, and all those in Canada concerned with developing the arts and the cultural industries, are anxious to know who their Canadian audiences are, what they like, and what they are prepared to support. Some attempt has been made to get answers to these questions.

In 1979, for example, a study prepared by the Department of the Secretary of State showed that in the previous year, of those questioned:

- 67% had seen one or more movies
- 47% had gone to one or more plays or musicals
- 46% had gone to one or more arts or crafts fairs or festivals
- 46% had visited one or more museums or art galleries
- 33% had gone to one or more folk or pop music concerts
- 25% had gone to one or more symphony concerts, operas, ballets or similar performances.

Other surveys make the same point. A 1978 study showed that 72% of the respondents had read at least one book in the previous year; other research indicated that over 77% of Canadians own a record or tape player and spend an average of six hours a week listening to recordings; that Canadians listen to radio for an average of 18 hours a week and watch television for approximately 25 hours a week. Over 500 million copies of paid circulation consumer magazines were circulated in Canada in 1979.

Much of this activity, particularly in the cultural industries, involves the purchase of foreign materials or listening to or watching foreign programming. Such material is available in Canada in an abundance unequalled anywhere else in the world. The point has been made before, for example, that Canadians in any given week have access to more American television programming than people in the United States.

Yet despite the predominance of foreign cultural material in Canada, Canadians seem to prefer their own material, if and when it's available. Canadian magazines almost always outsell directly competing foreign magazines in the Canadian market. Saturday Night, for example, has always outsold comparable foreign magazines in Canada by at least a three to one margin. In the retail bookstores, individual Canadian books usually outsell comparable foreign publications. More recently, Canadian plays have proved increasingly popular, as have Canadian recordings. But this success with the Canadian audience does not necessarily or even normally result in financial success, for reasons that are explored later in this paper.

Nor are all Canadians simply consumers or spectators. The results of the 1979 survey indicated that 59.8% of the respondents had themselves been involved in cultural activities, such as acting, writing, painting or playing a musical instrument. In addition, of all the parents interviewed who had children under 18 years of age, 54.9% reported that their children were taking lessons in an artistic field, either as part of the school curriculum (29.6%) or privately. Thinking about the future, 71.2% of the respondents said that they planned to have their children take some training in the arts; and 77% indicated they would like to see their children become writers, musicians, painters, actors, and so on.

That 1979 survey also asked Canadians a series of questions concerning their attitudes toward Canadian cultural activity. Of those questioned, 72.6% indicated that they had very positive feelings about the arts and cultural events put on by local artists in their community, while 72.1% reported that they had positive feelings about nationally recognized Canadian artists. Only 1.9% and 3.3% of the respondents said that they had negative feelings about local and national artists.

The attitudes of Canadians to their culture can be judged also by their response to questions concerning government support of the arts. Public awareness of the financial position of certain of the cultural organizations is instructive. Asked if they thought museums, symphony orchestras, ballet companies and other performing companies make a profit, break even or lose money, 42.2% said they either make a profit or break even, 42.2% said they lose money and 15.9% said they didn't know. Interestingly, 50.8% of the men thought the companies lose money, while only 36.8% of the women did so. As to whether such companies should "pay their way", only 28.0% thought they should (but 30.5% of English-speaking Canadians hold this view, while only 21.2% of French-speaking Canadians do); 57.9% believe that "governments should make good their losses."

When it came to the nitty-gritty question, "In general do you feel governments should give financial support to cultural activities?," 83% said "Yes."

The conclusions drawn by one of those who helped mount the Secretary of State 1979 survey are interesting:

First, it is clear that Canadians are very intensive consumers of arts and culture.

Second, Canadians have high positive "feelings" toward local, as well as national culture. Clearly, culture has an effect upon how people view their country.

Third, Canadians accept and expect a high level of support by all levels of government for artistic and cultural events...

Fourth, while Canadians expect and support the role of government in the support of the arts and culture, they also would be willing to support financially local artistic endeavours. And they also think that business and industry should bear a greater burden of financial support for arts and culture.

It would appear that public spending in the cultural areas is neither a "frill" nor an insignificant aspect of government activity. It may be that the public in its attitudes toward the arts and its behaviour patterns in the consumption of cultural products is far ahead of politicians and political decision-makers.

Looking back as we prepare to look forward, the exhilarating success to which Vincent Massey, Father Levesque and their fellow Commissioners pointed us suggests that this is no time to be down-hearted, that thirty years on we are looking at a job well-begun but only half-done. There is no question that the Canadian public supports what has been done, and will support what needs to be done.

Basic problems

You arrive at two antithetical facts:

- 1) Society cannot be arranged for the benefit of artists;
- 2) without artists civilization perishes.

I have never yet seen this dilemma solved (there must be a solution) and it is not often honestly discussed.

George Orwell

Basic problems

One of our purposes in preparing this paper has been to identify as precisely as possible the basic problems that are acting as barriers to Canadian cultural development. We find they are not new, that they have persisted, and that they threaten to get worse. Briefly stated, they are these:

- 1) Canada has no publicly agreed objectives for the arts and the cultural industries.
- 2) Since there is a lack of agreed objectives, our public and private policies are fragmentary, inconsistent, and often contradictory.
- 3) The pressure of forces such as the new technologies has pushed us into developments we no longer control, as the mess we have made of cable, and the mess we may make of pay television bear witness.
- 4) Because the role of the federal government remains undefined, unclear, unfocused, with no stated objectives and no enunciated policies, everyone else is forced to thrash about trying to find their place in the cultural chaos. Broad planning is impossible. Frustration grows. Everyone loses.
- 5) Money and resources are a growing problem.

The simplest way to address miserable problems like these is to attack someone. Traditionally, one attacks the government. Canadians will instantly recognize a basic truth long ago enunciated by Napoleon: "Complaints are made that we have no literature: this is the fault of the Ministry of the Interior."

Plus ça change...

While blaming the government is good sport, it doesn't solve anything. And even if it is the government's fault, that isn't as discouraging as some might think, because we can do something about it. After all, it is our government, and if it hasn't yet recognized the problems, that is one of the immediate tasks to be accomplished. The late Judy LaMarsh, herself a performer and writer of note both in and out of government, once said to some artists who were concerned about government grants, "Don't let anyone kid you. This isn't a gift from the government. It's your money."

Our money, our government, our problems.

In preparing this paper and as we sought to identify our problems, we consulted most of the organizations in Canada that represent those who create and produce our cultural materials. In sector after sector, we received this same basic message: there are structural problems that must be resolved before any further substantial progress can be achieved, but at the heart of the problem is the way in which the Canadian marketplace for cultural works is controlled and the relatively weak, often peripheral, position in this marketplace of those who produce and distribute Canadian works.

The past focus of federal policies, whether in the visual arts, writing, music, or whatever field has been mainly limited to the provision of direct grant support to encourage the creation of Canadian cultural materials and to encourage live Canadian performances in the traditional performing arts. Relatively little attention has been given to ensuring that the work of Canadian creators is performed, published or disseminated to the widest possible audience. Even when Canadian creative material is well produced or recorded, the material is usually not marketed and distributed effectively.

Federal cultural policy has been weakest in dealing with the cultural industries. As a result, it would in most sectors be fair to say that the products of our own cultural industries - our films, recordings, books, magazines, television programs - are being created at the margin and have been made available to only a small percentage of Canadians.

In a recent speech to the International Institute of Communications, Secretary of State and Communications Minister Francis Fox acknowledged this failure in cultural industries policy and described the merger of the communications and cultural mandates within the restructured Department of Communications as a means of ensuring that "the more fundamental issues associated with content" begin to receive priority over technological and economic objectives.

In the same speech, Fox made the following statement:

Even in the days when the chief vehicle for cultural invasion was the motion picture screen, the flow of traffic was overwhelmingly one way. Proliferation of satellite channels, coaxial cable systems, video cassettes and discs, as well as other broadcast technology, could easily turn that flow into a tidal wave sweeping everything before it, including traditional values and the treasury of national, regional and local expression.

This perception of the challenge that will have to be met in adapting new technologies to reflect Canadian needs and interests is one we share.

Objectives

Nobody ever did anything by pussyfooting.

Donald Gordon

Objectives

We recommend that the following cultural policy objectives be adopted as the basis for public policy in Canada and that these objectives be pursued in a systematic and vigorous way in every sector of the arts and the cultural industries.

- 1) The creation and production, by Canadians, of Canadian materials primarily for the use of the Canadian public.
- 2) The development of the individuals, institutions, corporations and the legislative and economic framework that will make possible the creation, production, distribution and preservation of Canadian materials.
- 3) The long-term commitment and organization of the public and private resources necessary to permit the orderly, continuing creation, production, distribution, use and preservation of Canadian materials.

Basic principles for federal cultural policy

Knowing exactly how much of the future can be introduced into the present is the secret of great government.

Victor Hugo

Basic principles for federal cultural policy

We recommend that the following basic principles be adopted by the Government of Canada as the basis for formulating specific strategies for the achievement of the cultural objectives proposed in this paper.

1. While federal and provincial governments share responsibility for the support of the arts and cultural activity, the Government of Canada has, and must continue to have, primary responsibility.
2. All Canadians should have access to a full range of cultural works created, performed, produced, distributed and provided by Canadians, but no action should be taken that would preclude access to the cultural works of other countries.
3. In order to ensure that no single group or interest, whether public or private, has a position of substantial dominance in any sector of the arts or the cultural industries, the federal government should encourage multiple sources of financial support for artistic and cultural activity and should sustain, where this is fully compatible with the national cultural policy objectives, alternate means for the production and distribution of Canadian cultural materials.
4. The federal government should assume a leadership role in developing and implementing strategies which recognize and accommodate the high degree of interdependence among the arts, the cultural agencies, and the private sector, and between the commercial and non-commercial elements in the Canadian system.
5. Federal cultural policies and strategies should at all times be developed in full consultation and co-operation with those most directly affected by them.
6. Federal support to the arts and the cultural industries should include appropriate legislative and regulatory measures and direct financial assistance.
7. Federal support, direct and indirect, should be provided only to Canadian creators, cultural works and institutions and, in the case of production and distribution companies, only to businesses that are owned and effectively controlled in Canada by Canadians. In line with principle #2, the adoption of this principle would not preclude reciprocal arrangements for cultural exchange.

8. The federal government should provide encouragement, support and maintenance at the professional level for Canadian creative work of every kind.
9. Federal support should include, insist on, and accommodate experiment and innovation in the arts generally, and in the cultural/communications/information industries.
10. Federal support should assist in the development and maintenance on a national basis of a pool of Canadian creative, interpretive and managerial talent.
11. The federal government should uphold and protect the right of members of the Canadian cultural professions to be fairly compensated for their work and for the use of their work.
12. The Canadian Copyright Act and revisions made to it should continue to be based on the protection of creators. The Act should be revised periodically to keep it in line with contemporary requirements, and any such revision should recognize that the development and maintenance of healthy cultural industries in Canada is a prerequisite for strengthening the position of creative talent in Canada.
13. All direct federal financial support for artistic and cultural activity should be provided wherever appropriate through cultural agencies acting at arm's-length from government.
14. Regulatory authority for radio, television and telecommunications should continue to be exercised through the Canadian Radio-television and Telecommunications Commission, operating at arm's-length from government on the basis of a clear legislative mandate.
15. The principle of overall federal responsibility for and control of the cultural/communications/information system in Canada should be maintained.
16. The federal government should ensure that the cultural and communications industries in Canada are owned and effectively controlled by Canadians, in the production, distribution, and, where applicable, the exhibition sectors.
17. The federal government should expect and encourage the cultural industries in Canada, including the production and distribution sectors, to invest a reasonable and increasing proportion of their gross revenues in the production of Canadian materials.
18. The federal government should support the promotion of Canadian materials both domestically and abroad.

We further recommend that the necessary authority and additional resources be provided to the Minister of Communications and his department to permit them to develop, based on the principles above, comprehensive, coherent strategies for achieving the cultural policy objectives and to monitor progress toward these objectives.

The federal role in cultural development

Enormous importance of long-range projects, i.e., in Canada - building the C.P.R. - or in Paris, Haussmann - the need for a strong central power to enable projects covering long periods to be carried out.

The Idea File of
Harold Adams Innis

The federal role in cultural development

In exercising its central legislative and regulatory powers, the Government of Canada establishes the framework for cultural activity in Canada. The provincial and municipal governments, and the individuals, institutions and corporations involved in cultural activity, can successfully perform their roles in fostering greater Canadian cultural expression only if the central federal powers are used in a comprehensive and consistent way to support Canadian cultural objectives. Because this is the case, the role of the federal government in cultural development is primary and essential.

Copyright

The Government of Canada has responsibility for copyright policy, through which the creators and producers of Canadian cultural materials receive whatever measure of copyright protection is deemed to be appropriate and consistent with public policy priorities. The Copyright Act is badly out of date and inadequately protects Canadian creators and producers.

Foreign ownership and control

The Government of Canada is also responsible for decisions affecting foreign ownership and control. In many of the cultural industries, foreign-controlled companies currently dominate the Canadian marketplace, and only the federal government has the power to effectively address this issue. At present it has no consistent policy.

While in broadcasting and cable television, no foreign-controlled firms are allowed to operate in Canada, the government does not at present require that Canadian television programs made under the provisions of the income tax incentive for film and television program production be produced by Canadian-controlled companies.

In the newspaper and magazine publishing industry, tax legislation is used to protect Canadian-controlled publishing companies, although the concern with foreign control has never extended to magazine distribution. In the book publishing industry, the federal government has now established the goal that Canadian-controlled publishing firms ought to be the dominant force in both the French and English language sectors of the industry. However, for the retail and wholesale book distributors, there is no policy related to the control of the industry.

At the opposite end of the spectrum, there is no policy whatever concerning the nationality of control of any aspect of the film industry or the recording industry. Nor has there yet been any indication of what policies will be adopted with respect to Canadian control of companies involved in production or distribution of video-discs, videotex, or other new cultural technologies. The adoption of such policies now could avoid problems in the future.

Taxation

The Government of Canada controls the major taxation powers that are exercised through legislation and regulations affecting individual and corporate income, sales, excise, gift and other taxes. These powers, if used in a systematic, skillful and consistent way, could have a major effect on achieving our proposed cultural objectives.

The federal government has made some use of tax law to stimulate cultural activity. However, only limited use has been made of tax legislation as an instrument of cultural policy objectives and in one of the cases in which action has been taken, that of the Capital Cost Allowance affecting film and video tape protection, the government seems to have acted without reference to precise cultural objectives at all.

The extensive attention we give to this issue reflects our view that taxation policy must be an integral part of any effective policy for achieving the proposed cultural objectives.

Radio, television and telecommunications authority

Authority over radio and television broadcasting, the cable industry, and satellite distribution rests with the Government of Canada. A 1967 UNESCO document, Reports and Papers on Mass Communication, described the importance of broadcasting as follows:

It is necessary to consider broadcasting as part of a country's so-called "infrastructure." While it is firmly accepted that harbours, roads, railways, waterways, electricity, post, telephone and telegraph services belong to this infrastructure, for which funds must be invested which do not necessarily yield immediate and clearly identifiable results, it is not generally recognized that broadcasting... belongs to the same category. Like schools, which are the subject of public policy and whose significance is not judged in terms of immediate profits, the establishment and use of broadcasting facilities represent a long-range investment expected to contribute to the promotion of the human and material resources of a nation.

Canada's Broadcasting Act defines Parliament's objectives for the broadcasting system. These include:

The programming provided by the Canadian broadcasting system should be varied and comprehensive and should provide reasonable, balanced opportunity for the expression of differing views on matters of public concern and the programming provided by each broadcaster should be of high standard, using predominantly Canadian creative and other resources.

The Canadian broadcasting system should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada.

As we have noted, Canadians listen to the radio an average of 18 hours a week and watch television for an average of 25 hours. Federal responsibility for determining the structure of radio and television broadcasting and for regulating the licenced broadcasters is of critical importance to the achieving of the cultural policy objectives. The regulatory responsibility for broadcasting is delegated by the federal government to the Canadian Radio-television and Telecommunications Commission (CRTC), whose mandate also includes regulatory control over cable and satellite distribution of television programming.

It is our view that it is in television broadcasting, and particularly in English language television, that the Government of Canada has failed most seriously to pursue a coherent set of policies which make possible a reasonable and continuing production of Canadian programs, and which would provide to Canadians the option of high quality, varied and genuinely Canadian programming.

Although there is a clear and legitimate need for provincial involvement in the discussion and development of policy and an important role for the provinces in educational television, there is no possibility that the serious problems of the system can be addressed unless the federal government continues to have ultimate responsibility in this field. We recommend later in this paper a comprehensive and interrelated plan of action designed to create a system capable of meeting the cultural policy objectives we have recommended. The strategy includes, as an effective strategy must, the use of federal legislative and regulatory powers, including appropriate tax legislation, as well as a return to an increased focus and support for the national public broadcasting system.

Import/export and immigration

The federal government is responsible for legislation with respect to customs duties, immigration, and such special measures as the Cultural Property Import and Export Act, which directly affect the entry of foreign professionals to work in Canada, and the import and export of cultural materials.

International relations

Responsibility for international cultural relations also rests with the Government of Canada. The Federal Government has never made a strong commitment to promoting Canadian artists and Canadian cultural materials abroad. Priorities have been political rather than cultural. Potentially, however, the vigorous and systematic exercise of this responsibility could play an important role in achieving Canada's cultural objectives.

Direct Support

In addition to exercising the legislative and regulatory powers noted above, the Government of Canada also provides direct financial support for cultural activity. The most recent figures published in the Federal Cultural Policy Review Committee's Discussion Guide indicate a total of \$926.6 million will be spent by the federal government on cultural activities in the 1980-81 fiscal year.

Of that total expenditure, the major item is the \$577.5 million budget of the public radio and television broadcasting networks. The Canadian Broadcasting Corporation operates AM and FM radio networks in French and English, national television services in both languages, a northern service and an international service. As a percentage of total federal government expenditure, support for public broadcasting has been substantially reduced over the past decade. The Discussion Guide suggests that the CBC's share of total federal expenditure has dropped from about 1.5% in 1970-71 to about 1.0% in 1980-81. Even with this steady attack on the funding of the CBC, its share of total federal cultural expenditure in 1980-81 was 62.3%.

The remaining \$349.1 million in federal expenditures on culture in 1980-81 was accounted for as follows:

National Museums of Canada	\$ 60.2 million
Parks Canada	52.0 million
Canada Council	44.7 million
Social Sciences and Humanities Research Council	42.1 million
National Film Board	40.3 million
Citizenship Branch, Department of the Secretary of State	25.3 million
National Library of Canada	21.2 million
Public Archives	21.2 million
Arts and Culture Branch, Department of Communications	20.7 million
National Arts Centre	10.9 million
Canadian Radio-television and Telecommunications Commission	6.4 million
Canadian Film Development Corporation	4.1 million

The list above includes items one might not have expected to see included in a list of cultural expenditures, e.g. Parks Canada and the CRTC. It also

indicates the high proportion of total cultural funds spent on preservation by comparison with the percentage allocated to support cultural creation and production. While we are of the opinion that inadequate resources are put into activities related to the preservation of cultural materials, we feel strongly that activities related to the creation of Canadian cultural materials are far more dramatically underfunded.

We draw attention repeatedly throughout this paper to the results of the inadequate direct support by the Government of Canada both for public broadcasting and for activities related to the creation, production, and distribution of cultural materials in other sectors of the arts and the cultural industries.

In our view it has been a major mistake to cut back the commitment of public funds to the Canadian Broadcasting Corporation. Public broadcasting has a vital role to play in the national system. Had it continued to receive even the same level of support as a decade ago, its 1980-81 budget would have been over \$850 million dollars. With that budget the CBC could have provided more high quality Canadian programs on the French and English language networks, at the local level, for the people of northern Canada, and would have been able to begin to operate a non-commercial system in television broadcasting, as it already does in radio.

Federal support for the public broadcasting system should return to at least 1.5% of total federal cultural expenditures.

The other cultural activities directly funded by the Government of Canada merit substantially greater support than the 0.6% of total expenditures they now receive. Non-broadcast cultural activities ought to receive at least 1% of total federal funds. In 1980-81 this would have meant \$580 million, rather than \$350 million. Some of this increased amount could, in fact, have been found through the elimination of inappropriate measures such as the subsidy the federal government now provides for postal distribution of foreign magazines in Canada. This subsidy alone is estimated at more than \$60 million for the current year.

It should be noted that these public expenditures generate considerable economic activity and are not simply a net drain on federal financial resources. The arts and cultural industries are employment intensive and generate substantial economic activity in the manufacturing and processing industries, the service sector and the tourist industry. The result is a large indirect financial return to government.

Our support for continued and increased direct cultural expenditure by the Government of Canada reflects two assumptions. First, we assume that the federal government has a special role to play in supporting the innovative, the exceptionally talented and the culturally important artist, institution, performance or production. Second, we believe that the Government of Canada has a fundamental role to play, in particular through the public broadcasting network and through touring activity, in providing ways for Canadians in every region of Canada to have access to the cultural expression of all the people of Canada.

Policy Review and Coordination

A central weakness in past federal cultural policy has been the overwhelming preoccupation with the cultural agencies which hold formal responsibility for arts and culture programs, and with their relationship to the central machinery of government. Important as these agencies are, our review clearly demonstrates that government departments with no official mandate for culture have a profound impact on what happens in all sectors of arts and culture activity. The policies and actions of other departments can sometimes reduce or eliminate the benefits and support provided by the formally established agencies. More importantly, the policies of other departments have the potential to achieve federal cultural goals that cannot be effectively realized in any other way, and to complement and enhance existing programs and activities.

We therefore see a need for a single department to have responsibility for cultural policy review and coordination for the government as a whole. We propose that additional authority and resources be provided to the Minister of Communications and his department in order that these responsibilities may be properly carried out.

The main task for such a policy unit would be to identify and monitor other areas of government which affect the arts and culture and to propose, wherever appropriate, needed changes to legislation and regulations in order that they reflect and reinforce the aims of cultural policy. To do so effectively the Department of Communications would require skilful, professional staff members who understand the arts and the cultural industries for which they are responsible and who understand the taxation system, postal rates, transportation, immigration procedures and other aspects of federal government activity.

While we favour a strengthening of the Department of Communications, what we are not proposing and would, in fact, adamantly oppose, is any move toward a centralized and all-powerful cultural ministry, able to influence or direct all of the cultural activities of the Government of Canada. In a decentralized, diverse and democratic country such as Canada, a central ministry with such extensive powers and influence is absolutely unacceptable.

As a result, with respect to the cultural agencies, the authority of this central unit should be limited first, to the review of agency mandates to ensure that they reflect overall policy aims, and second, to a co-ordinated assessment of total budgetary needs. The agencies should then be free to define policies and develop programs according to their own understanding of the needs within the area for which they are responsible. They should, of course, be expected to contribute advice and expertise to the Department of Communications concerning overall policy co-ordination needs. This concern with respect to the necessary distance between the government and its cultural agencies applies with particular force to the CRTC. The regulatory agency for radio and television absolutely must operate at arm's-length from government and on the basis of clear, legislatively prescribed objectives and powers.

Sources of external information and research

Our research during the preparation of this paper has made it clear that the present statistical information on many sectors of the arts and the cultural industries is very inadequate. It is essential that there be a firm base for judging the extent to which Canadian cultural objectives are being achieved, and we propose that Statistics Canada be provided with the necessary additional resources to permit the regular collection of reliable and useful statistics.

Research on matters related to cultural policy is also essential. While some of that research will be carried out within the Department of Communications, we believe there is a need for a separate, independent body which can objectively assess existing policies and programs, evaluate alternative approaches, and explore in a speculative way some of the more philosophical issues inherent in cultural development.

While the establishment of such a body should be carefully planned, we strongly recommend that the necessary work be done quickly so that an independent cultural research institute can be set up as soon as possible. It would have an important function in the development of cultural policy by ensuring that specific actions and particular policies remain open to question and that fresh ideas are available when they are needed.

PART II

Some major federal cultural policy issues

Be patient: in time even an egg will walk.

African proverb

Major issues 1) Copyright

The basic foundation for the protection of literary, dramatic, musical and artistic works is provided through copyright legislation. Copyright is defined in Section 3 of the Canadian Copyright Act as "the sole right to produce or reproduce the work in any material form whatsoever; to perform, or in the case of a lecture to deliver the work or any substantial part thereof in public." The right includes the right to translate, to dramatize, to broadcast and to make records or films of protected works.

In practice, what copyright does is to give the creator of a work (the artist) protection for a specific work expressed in a fixed form, protection that enables him to deal in his creation, and to control its use. Copyright also protects the work against changes in the form in which the artist chooses to express it - the so-called moral right. The extent to which copyright protection is granted to creators, and the basis on which they are able to licence or assign these rights to producers, directly affects the extent to which Canadian creators and producers can successfully engage in cultural activities.

Copyright is the basic foundation for any federal cultural policy. Changes in copyright law that strengthen the position of creators and producers have the potential to provide a substantial stimulus to cultural development. Any changes that weaken the position of creators and producers will contradict and undermine all other government policies for Canadian cultural development.

Revision of Canada's Copyright Act is long overdue. The Act came into force in 1924 and there has been no substantial revision since. The present law does not cover certain major technological developments, particularly those of sound motion picture film, videotape, sound recordings, television, cable television, photocopiers, information storage and retrieval systems, computers and a range of technological delivery systems which are an integral part of our modern communications age.

It is not our purpose in this paper to recommend specific measures that should be included in revised Canadian copyright legislation. The subject is

complex and for over ten years detailed recommendations on the many changes needed have been sent to the responsible federal Department of Consumer and Corporate Affairs by the individual organizations representing Canadian creators and cultural producers, most recently in over one hundred and twenty briefs submitted in response to the publication in 1977 of Copyright in Canada: Proposals For a Revision of the Law, by A.A. Keyes and Claude Brunet.

The Keyes/Brunet study, undertaken for the Department of Consumer and Corporate Affairs, recognized the importance of copyright law in the development of domestic cultural industries. There are examples in the laws of many countries of ways in which copyright legislation can be tailored to domestic needs. The same report puts forward proposals that reflect the desirability of drafting copyright legislation for Canada which, without violating our international copyright agreements, will effectively encourage our own cultural development.

Responsibility for the revision of copyright law currently rests with the Department of Consumer and Corporate Affairs, which has as its general objective the fostering of an efficient Canadian market system. Not only has Consumer and Corporate Affairs no mandate to further Canadian cultural development, but the Department has been examining extensively an approach to copyright revision that would expose Canadian cultural producers to greater competition from foreign producers. Such an approach would give Canadian cultural producers, already relatively weak, less protection than is available to the cultural industries of other developed nations from their home governments. The result would be either to further erode the position of Canadian producers, or to make them much more dependent on the Government of Canada for direct financial assistance. Probably both.

An essential first step toward an effective national cultural policy, and one that can be taken immediately, is to shift responsibility for the Copyright Act to the Department of Communications, which has now been given broad responsibility for the arts, culture and communications, and to begin

immediately, once again in close consultation with Canadian creators and producers, the task of drafting a new Act. Of course the views of other government departments, including Consumer and Corporate Affairs, should be taken into account before a new Act is presented to Parliament. But if the prime consideration on which the revision of the Copyright Act is to be based is Canada's cultural development, as we believe it must be, then the most effective department to prepare that revision is the one which has that cultural responsibility.

There must be no more delay in getting the job done. Revision of the Copyright Act is an urgent and pressing necessity.

Major issues: 2) Tax policies

The provisions of the legislation and regulations affecting income, sales, excise, gift, customs and other taxes or duties represent an important means by which the Government of Canada can improve the financial position of individuals involved in the creation of Canada's culture, strengthen the financial position of companies involved in the production of Canadian cultural goods and services, provide an incentive for increased investment in Canadian cultural production activities, help to improve the competitive position of Canadian cultural products vis-a-vis their foreign competition, and encourage individual and corporate donations to not-for-profit arts and cultural institutions and activities.

The potential for such action has, of course, already been recognized by the federal government. However, taxation policy has not by any means been used in a systematic way as a vehicle to encourage cultural development, and there are important areas in which tax policy should be reviewed and changed.

Individual taxation

Special tax provisions have been requested for individuals engaged in creative or performing arts because the employment patterns and activities of these artists do not match the general pattern, and without special treatment the normal rules in certain cases do not result in fair treatment.

A major issue affecting individual performers and creative artists is their employment status. Regardless of whether they are categorized as employees or as self-employed, they incur substantial expenses in connection with their employment. At present, they face a dilemma. If they are classified as employees, they cannot deduct their expenses, although those expenses cannot be avoided and are often substantial, including such costs as advertising to obtain engagements, agency fees, special coaching or classes, musical instruments, etc. On the other hand, if they are classified as self-employed,

they can deduct their expenses but are ineligible for unemployment insurance in an industry where employment is characteristically sporadic and incomes very low.

Other countries, including the United States, France, Sweden and Denmark have eliminated this inherent unfairness in the treatment of performing and creative artists. A strong recommendation for similar action in Canada was made in the recent study Federal Tax Issues of Concern to the Arts Community in Canada, prepared for the Department of the Secretary of State by Touche Ross & Co. This policy change has received the strong support of the Canadian Labour Congress and, as a general approach to ensuring fairer tax treatment, has received the support of the Canadian Bar Association and the Canadian Institute of Chartered Accountants.

We therefore recommend that performing and creative artists who are classified as employees be permitted under the Income Tax Act to deduct expenses in calculating their taxable income on the same basis as artists who are self-employed. Unemployment insurance coverage should be made available to performing and creative artists, regardless of whether they are classified as employees or as self-employed.

A related issue affecting the tax treatment of individuals arises from the anomaly that most performing and creative artists receive special training or coaching outside the framework of certified educational institutions. As a result, they are not permitted to deduct such expenses, regardless of whether they are self-employed or employees. The principle of equitable treatment also suggests that appropriate arrangements ought to be made to permit the deduction of these costs by individuals who earn their living as performing or creative artists.

A further inequity arises when a visual artist, rather than an art collector, donates a work to a gallery or other public non-profit institution. At present, the collector receives preferential tax treatment that is not also accorded to the individual artist. The provisions that now affect art collectors should be extended to individual artists making donations of their own work.

Individual artists, in particular musicians and visual artists, make use of many special musical instruments or artists' materials which must be imported from outside Canada. At the present time, there are varying levels of customs duties, sometimes representing a high percentage of the total cost, that are applied on these imports, regardless of whether there is any Canadian manufacturer whose interests are being protected by the duty. Ironically, there are many cases in the visual arts in which finished art objects enter Canada from abroad under special duty-free provisions of the Customs Tariff while Canadian artists producing comparable works must pay substantial customs duties on the raw material they import. A sound public policy would accord duty-exempt status to those artists' products and raw materials which are not produced in Canada.

The treatment of visual artists under the federal Excise Tax Act and related regulations is at present inconsistent. In some cases, visual artists are exempt from paying a sales tax on materials they purchase, while in other cases they are not. It would appear to be consistent with government policy to devise appropriate procedures to grant an exemption in all cases to individuals who are involved primarily in visual arts production activity.

Taxation affecting the cultural industries

As already noted, federal legislation affecting income and sales taxes and customs duties has a substantial effect on the financial strength of companies in the cultural industries. It is in the area of cultural industries development policy that the role of tax measures is of greatest potential importance.

The most significant tax incentive taken by the federal government is contained in the provisions of Section 19 of the Income Tax Act, affecting the deductibility of advertising expenditures. With respect to Canadian newspapers and magazines, the legislation permits the deduction of expenditures on advertising directed primarily to a market in Canada only if the ads are placed in Canadian magazines or Canadian newspapers. Such publications are defined as being primarily Canadian-owned, edited in Canada,

and containing not more than 20% of material which is the same as that of any publication produced outside Canada. In the case of television advertising directed primarily to Canadians, only the cost of ads placed on Canadian stations or networks can be deducted. Since such stations must be licenced by the CRTC, they are required to be Canadian-owned and controlled and to meet Canadian content requirements.

The terms of the advertising deductibility provisions of the Income Tax Act are important in that they incorporate a concern with both Canadian ownership and control, and with the production of Canadian materials. The way these provisions work has, therefore, had a substantial effect on the structure of publishing and broadcasting.

By contrast, the Capital Cost Allowance designed to stimulate film and television production can be used both to illustrate some of our present concerns and to suggest approaches that might assist in developing culturally effective programs for other areas of the cultural industries.

The present Capital Cost Allowance scheme for films has, on the surface, been very successful, in the sense that a large number of films have been produced in the past few years which take advantage of its provisions. In spite of this there are major problems, and the present scheme needs adjustments if it is to be culturally effective.

As we understand it, the intent of these provisions (including the regulations) is to provide an incentive to Canadian producers and investors to make more Canadian films and television programs using predominantly Canadian resources, and to do this in such a way that the permanent strength and capacity of the Canadian production industry is developed.

That has not happened, and the reasons why it hasn't happened, which we examine in detail in the sector study on Film, suggest that before any similar provisions are made in other areas of the cultural industries some basic principles have to be hammered out.

We support tax incentives because they can be a powerful tool to attract private funding to the arts and cultural industries, but to be culturally effective they must in all cases be directly tied to basic cultural objectives, they must encourage the use of Canadian creative and entrepreneurial talent, they must not provide exceptions and loopholes that will allow these objectives to be bypassed or ignored, and they must be rigorously administered to ensure that the results conform to the objectives.

We have not attempted in this document to carry out a comprehensive review of federal tax policy affecting the production of print, sound, and video materials. Instead, we have put forward specific tax measures related to specific cultural industries. These recommendations are also to be found in Part III.

In all cases, the recommendations we have put forward reflect our primary concern with Canadian cultural development and our view that where tax policy initiatives are appropriate, they will most likely succeed if they are designed to develop stronger Canadian-controlled production companies with an expanded involvement in producing Canadian cultural materials.

In addition to the specific recommendations related to taxation put forward in Part III, we recommend that a comprehensive review be commissioned immediately by the Department of Communications which would examine and evaluate all of the current provisions of the Income Tax Act, Excise Tax Act and Customs Tariff Act as they affect the production activity of Canadian cultural industries. The study would examine such measures as have already been proposed to government, including tax credits, and explore the potential for achieving Canada's cultural development through a more consistent, coherent and forceful use of taxation policy.

Major Issues: 3) Immigration

In recent years the problems facing talent, and performers in particular, have been made more difficult by the progressive closing of the borders in many countries. This discouraging development has almost stopped the free movement of performers between Canada and the United States and Great Britain.

The situation varies between disciplines and for different classes of performers. "Stars" continue to move with relative ease, though even this has been curtailed in certain countries. Lauren Bacall, for example, recently found she had to leave England because even though she was living there the British authorities - totally backed by Equity, the performers union - refused to allow her to work on stage.

In some cases reciprocal agreements between unions have managed to keep a border partially open. A working arrangement between Canadian Actors' Equity Association and American Equity helps a Canadian actor to get permission to work on the stage in the United States when engaged for a specific role, though the same actor would ordinarily be prohibited from taking the equivalent role in a film or television production. American actors are also free to enter Canada for stage work under this arrangement, but, paradoxically, Canadian regulations permit the free movement of foreign performers into Canada for television production.

Under the terms of an Affiliation Agreement between the Writers' Guilds of Great Britain, Canada, the United States, Australia and New Zealand, film and television writers can move freely and work as writers in all these countries.

There have been increasing problems in Canada resulting from the importation of foreign directors, artistic directors, and in certain cases, senior administrative personnel in the arts and the cultural industries.

One serious result of the contradictory, and to the public, confusing restrictions that the various countries place on the free movement of artists has been to deny previously available opportunities for work to many Canadians, with long-term implications in terms of training and craft development that are not well understood. We have also witnessed direct confrontations between Canadian unions attempting to protect their members' domestic work opportunities and producers of many kinds. The more recent of these battles, which have centred around the continued importation of major artistic personnel in some of our principal theatres, have begun to raise fundamental questions about whether, and how, Canadians are to regain (or gain) control of some of their most important cultural institutions. The seriousness and the significance of these disputes must not be underestimated.

The federal government has failed on a number of occasions to exercise its jurisdiction in controlling the entry of foreigners wishing to come and work in the arts and the cultural industries in Canada with the care we believe must be taken. There are several reasons for this.

First, there is the confusion that results from a lack of acknowledged federal cultural policy objectives.

Second, the administration of the present regulations by officials of the Department of Employment and Immigration is confusing, and often inconsistent from region to region.

Third, there is still in many cases a lack of direct consultation between officials and the unions and associations that represent categories of workers in the cultural industries.

Fourth, the Regulations themselves still allow virtually unrestricted entry to performing talent in certain areas, and particularly in television production.

These are matters that should now be resolved.

Specifically, in order to properly and consistently administer the present Immigration regulations, and where it has not already been done, particular working relationships should be established between the Department of Employment and Immigration and the unions or associations representing categories of workers in the arts and the cultural industries, so that consultation between the Department and the relevant union or association regarding applications by non-Canadians for authorizations to work in Canada can take place before any such authorization is issued.

Additionally, the exceptions in the present regulations that allow unrestricted entry for television artists should be removed.

Major issues: 4) Impact of new technologies

A communications revolution is upon us. At its heart are innovations in video recording technology, revolutionary changes in communications technology, and sharp reductions in the size and cost of computer systems for the processing and storage of information. In the video field, the new technology has already produced for commercial distribution in Canada the video cassette recorder, with accompanying pre-recorded video cassettes, and it will soon produce video-disc playback equipment, with accompanying video-discs. In the communications field, coaxial cable and satellite transmission are transforming the structure of the television industry, and fibre-optics technology will accelerate the pace of change. Low-priced computer capacity based on the silicon chip is creating the potential to store and process information rapidly and relatively inexpensively. In combination with other communications developments, micro-electronics technology offers the potential to link home computers or computer access facilities into central data banks.

The structures that emerge from these innovations will have a profound impact on Canada's future, economically and culturally. To date, however, attention has focused primarily on the economic effects of the new technology. With the exception of research related to television production, little or no systematic attention has been given to assessing the cultural aspects of the options open to government and industry, or to establishing basic cultural goals and the related structural objectives for the future. All of the lessons we ought to have learned from our experience in the development of public policy affecting newspapers, magazines and television seem to have been forgotten.

In all of the existing cultural industries the basic issues are remarkably similar. In the film industry, the recording industry, the publishing industry, we have failed to take measures to ensure that production and distribution is carried out primarily by enterprises controlled by and responsible to Canadians. The result is a very high degree of dominance in the Canadian marketplace by foreign owners and foreign enterprises.

How are we to ensure that Canadian sovereignty is protected through Canadian control over production and distribution? How are we to ensure an adequate level of Canadian production? These are major issues in all of the new communications areas. What should be our policy with respect to the ownership and control of companies in Canada engaged in production and distribution of video cassettes or video-discs? The control of the "information providers" whose material will be accessible to the public through videotex systems? New television channel sources? Will RCA, for example, dominate the production and distribution of video-discs in Canada? Will Business Week or the Associated Press input their copy directly into Canadian videotex systems? If we are to develop strong Canadian production and distribution companies, what should be our policy on corporate concentration? On direct public sector involvement?

In tackling these issues, it is essential that the economics of producing Canadian materials be understood. The relatively small size of the French and English markets in Canada makes the financing of Canadian material a basic problem. Given the structures that we want to see emerge and that we may commit ourselves to encouraging, can materials addressed primarily to Canadians be produced on a commercial basis? Does there need to be a tax incentive to encourage private industry to produce such materials? Does there need to be a program of direct public subsidy or a public enterprise involved in a particular production activity?

The new technologies will require major financial investment by industry, and probably also by government. Unless the Government of Canada establishes a clear policy framework with respect to such vital issues as ownership and control, taxation policy, customs duties, and so on, corporations in Canada are unlikely to make plans to become involved in these new sectors, particularly in production activity. As a result, Canada's cultural and economic interests will again be sacrificed. Moreover, unless government policies are fashioned quickly, they will not be effective and Canada will, once again, simply be overtaken by events.

Major issues: 5) Federal cultural agencies

The federal government currently spreads its support across a number of departments, the Department of Communications and the Department of External Affairs in particular, and it employs a range of diverse cultural agencies, including the CBC, the National Arts Centre, the National Museums of Canada, the Canada Council, the National Film Board, the Canadian Film Development Corporation, the National Library, the Public Archives, the Social Sciences and Humanities Research Council and the CRTC.

By initially creating these agencies, the federal government demonstrated its belief that some degree of independence was important for certain aspects of its support for arts and culture. Now, however, the principles inherent in the arm's-length approach are being called into question, and we are witnessing a shift away from support by means of agencies and toward more extensive use of departmental branches, divisions and bureaus. A desire for direct channels to realize national goals and demands for more aggressive approaches to management and accountability are responsible for this greater reliance on departmental forms.

In view of this shift, it is essential to explore the real significance of the agency as an instrument for support to the arts and the cultural industries.

Nature of departments and cultural agencies

The principal distinctions between departments and agencies arise from differences in their relationship to the central agencies and departments of government, the minister, the Cabinet, and Parliament. Whereas a department is really an executive arm of a minister, an agency is not. Non-departmental organizational forms imply a degree of independence from the means of direction and control which govern departments, and an agency is therefore said to be at "arm's length." Of course, the degree of independence can vary widely, as is true of the existing cultural agencies.

When properly structured and respected, a system of cultural agencies can be the best means for safeguarding the national public interest, as distinct from a federal government's interest. It permits the delegation of responsibility to appropriate people who can act on their collective conclusions apart from the possibly partisan priorities of political incumbents. This delegation establishes an important buffer between the politician and the recipients of government support, a buffer which benefits both the arts and the politician. For the arts, it helps to ensure that policies, programs and practices reflect an apolitical assessment of needs and priorities; it permits use of adjudication procedures which are free from actual or apparent political interference; it enables artists and others to engage in creation and production without fear of possible political censorship and reprimand. For the politician, it both prevents him from hasty interference and protects him from pressures to intervene in matters of individual expression which are fundamental to the principles of a democratic society and essential to the vitality of artistic and cultural enterprise.

Most importantly, the arm's-length approach is the most public and visible means available to government to demonstrate its commitment to excellence and to confirm its recognition that standards of excellence must be determined by professionals in the field, not politicians in Parliament.

Because of our firm belief in the arm's-length principle, we are gravely concerned about a number of proposals outlined in the Final Report of the Royal Commission on Financial Management and Accountability (The Lambert Report) or implied by the draft legislation for a new Crown Corporations Act. In our view, the commitment to far-reaching, all-encompassing central planning and programming and the desire for "sameness" in systems for federal direction, control and accountability could undermine the cultural agencies. We believe the agencies are admirable instruments both for safeguarding the public interest and for providing the independence essential to certain aspects of arts and culture support.

The elements of the accountability regime included in the Lambert Report provide a basis for examining our concerns about changes in the character of the cultural agencies.

Mandate

Just as there is a need for periodic review and change in policy in order to meet new developments in the arts and culture, so too is there a need to review and change the mandates of the cultural agencies in order that they may complement each other and contribute to a coherent, overall federal role. Since most of the cultural agencies were created in a rather ad hoc manner, we recommend that the federal government should review and clarify the mandates of the cultural agencies, introducing such amplifications or modifications as might be appropriate through amendments.

We emphasize that the only means by which the federal government is authorized to shape the priorities, policies and programs of the cultural agencies should continue to be through changes in their mandates, using proper legislative processes.

Direction

In addition to the direction given through mandates, the Lambert Report proposes that the federal government should be able to shape the activities and operations of the cultural agencies by means of a ministerial "directive," to be issued through the Governor in Council after tabling in the House of Commons.

Such a new and volatile power of direction would threaten the underlying principles and challenge the political freedom of the cultural agencies. By its very presence, the power of direction would have to be used, and so misused. Any such power ought to be filtered through the parliamentary process which would, in effect, render it no different than those powers already inherent in the legislative process. The introduction of any new "directive" power should be viewed as unnecessary.

The Lambert Report further proposes that the cultural agencies should be required to develop new corporate plans which would be subject to ministerial approval. In effect, it suggests that a minister should be able to modify or even reject certain courses of action.

Because it is more subtle and less visible than a "directive," this right of approval could be more readily misused by a minister, and it might well result in compromise on the part of the cultural agencies. Above all, corporate plans reflect decisions about allocations of available resources. In order that agencies can be truly responsible for their various actions, they must be allowed to make such decisions themselves, aware of but not bound by the preferences of political incumbents.

Although we consider it reasonable to insist that the agencies must consult with ministers concerning their corporate plans, we firmly believe that the agencies' corporate plans should not be subject to ministerial approval.

There is, of course, a need for more extensive and more thorough corporate plans. Many of the agencies should give greater attention to assessing and articulating their objectives and strategies; all should clarify changes in priorities, policies and programs. At the same time, more should be done to ensure that the activities of individual agencies complement one another. Each agency should be more concerned about real needs and less involved with narrow self-interests. Each should be more willing to acknowledge responsibility for encouraging independent creation and production.

The corporate plans should be made available to the public, either directly or indirectly through presentation before committees of the House of Commons. The CBC's recent document, Touchstone for the CBC, might well be looked on as a model of proper public presentation of the viewpoint of an agency concerning its aims, objectives, strategies and resource requirements.

Control

Selection of board members is the principal means for control of the affairs of the cultural agencies. Generally, much more attention should be given to identifying individual members who command the respect of the public and the clientele of the agencies and who, together, encompass the knowledge and expertise needed for competent management in the public

interest. For the most part, other considerations such as geographic representation or cultural affiliation should be met through the establishment of meaningful advisory bodies. Most importantly, members should not be selected on the basis of services rendered to political parties. An agreed number of such members could be chosen from among nominees put forward by representative national organizations working in the relevant field.

Further control, indeed much more critical influence over the affairs of the agencies, is currently exercised through governmental selection of the principal executive officers. This practice undermines the actual authority of board members, thus lessening their willingness to accept real responsibility. It contradicts the premises which underlie non-departmental organizational forms.

It is hardly necessary to state that the primary allegiance of the senior public servant could well be to the federal system rather than to his temporary agency. Chief executive officers should therefore be selected by the board members of cultural agencies and simply approved, not appointed, by the Governor in Council.

Any practical affirmation of the role of board members regarding any of the standard areas of responsibility (personnel, policies, procedures or performance) would have to be coupled with changes in selection criteria, and perhaps with changes regarding remuneration.

Consistent with the Lambert Report, we believe that control should be "in advance" or "after the fact" instruments, not through regulation of day-to-day procedures. In addition to the control implicit in the powers of appointment, "in advance" instruments encompass authorities and practices regarding approval of capital and operating budgets. We believe that the central agencies of the federal government should not be permitted to dictate the particulars of the budgets of the cultural agencies. The cultural agencies themselves should have final authority for the expenditure of whatever resources are allocated to them through the broader cultural budgeting process.

Reporting and evaluation

We agree with the Lambert Report proposal that all cultural agencies should be required to provide more informative reports and that the federal government should introduce more effective means for periodic reviews. However, the form of new reports should be left to the discretion of the agencies. We believe that the agencies ought to be required to provide information when asked to do so, subject to special consideration when disclosure might compromise the competitive abilities of such agencies as the CBC and the NFB, or the confidentiality of jury systems.

We have general concerns about the Lambert proposal that the cultural agencies should be re-classified according to broad categories developed for management and accountability systems. In view of the special nature of independence requirements, we doubt that the agencies could be grouped within these, or other, broad categories. Indeed, the wide variations in the form of the existing agencies indicate that subtle differences are important to specific types of support. Each agency should continue to be viewed separately.

The cultural agencies should together constitute a group which is beyond the net of generalized legislative requirements regarding crown corporations.

A further point

The point has already been made that the boards of the federal cultural agencies should consist of members who command the respect of the public and the client groups they assist. We have also indicated a need for more informative annual reports on the activities of the agencies, and for better public access to these reports.

A directly parallel point must be made with respect to the boards of directors and the annual reports of not-for-profit cultural institutions assisted by the cultural agencies. It is imperative that the boards of such institutions include not only people who represent the interests of a broad cross-section of the public served, but also people who have the respect of, and represent the interests of, the artistic and cultural communities affected by these institutions.

The federal cultural funding agencies should therefore insist that a reasonable proportion of their client groups' board membership be elected from a list of nominees put forward by the artistic and cultural communities they affect.

Further, we urge that the funding agencies develop appropriate guidelines with respect to the information to be provided in the annual statements published by not-for-profit cultural institutions supported by public funds, and the public availability of these reports. Since these institutions are receiving tax dollars, it is important that the public have adequate information concerning their management, financing, policies and programs.

Insistence on such practices would be in accord with the principle of accountability for the expenditure of public funds - accountability to government, the artistic and cultural community, and to the general public.

Major issues: 6) National non-governmental organizations

In order that they may assume an enlarged role in meeting collective requirements and changing general climates, we propose that the federal government provide adequate, systematic support for national organizations which embrace and serve the needs common to all sectors or to various segments of the arts and the cultural industries.

Although these national organizations are very diverse, certain functions are common to all: communication, information, promotion and consultation in particular. To a greater or lesser extent, they already engage in research, advocacy, negotiation, matters of training, professional development and the establishment of standards.

The benefits that accrue from the activities of these organizations are particularly important for the development of effective public policies for the arts and the cultural industries. Such groups identify, synthesize and aggregate the views of the constituencies they represent; they provide a means of gathering information and opinion; they act generally as a two-way channel of information and communication between the arts and the cultural industries, and governments and the public.

Many of them are already engaged in seeking more widespread public recognition of the needs of arts and culture and the fundamental importance of all forms of artistic and cultural expression.

National organizations are essential to the effective management and development of artistic and cultural activities. However, for them to provide the vital information, communication, consultation and promotion services required both by the communities they serve and by government, they must be provided with substantially increased funds. Ironically, when resources become scarce and their services are needed most, they are among the first to suffer. This need not and should not happen.

Support for national organizations has already been introduced by the federal government with regard to official language minorities, native citizens and ethnic minorities. Similarly, it is basic to federal involvement with regard to fitness and amateur sport, and health and welfare.

Systematic support of national organizations ought to be an integral part of overall government strategies for the encouragement and development of the arts and the cultural industries. A strategy for the development of a clear policy has been put forward to officials in the Department of Communications, and this strategy should be pursued immediately.

Major issues: 7) Professional training

Rudolph Bing once described the opera singer as someone with a throat disease. The remark is useful in underlining a principal fact about talent: there is nothing democratic about it, it does not afflict all equally, nor can those who most strive to acquire its presumed benefits have any assurance they will succeed. It certainly has no inherent virtue, beyond its rarity, and the excessive demands it makes on any who are driven to cultivate it.

A democratic society that values the products of talent therefore faces certain dilemmas. To nurture talent one must discriminate, supporting excellence to the exclusion of mere enthusiasm. Yet excellence is a final flowering, and since we can never be certain which of the first buds will develop into show winners, for a time all those with promise must be nurtured.

The implications for the development of creative and interpretive artists and managerial talent in a country like Canada are interesting. The maximization of opportunity for all talented Canadians with the desire and the will to pursue their talent must be one of our primary objectives. We cannot rely on the capricious allocation of resources on a regional or local basis to ensure that our best potential artists are first identified, then trained, and finally (most important of all) sustained through productive working careers.

Once again the responsibility of the national government emerges. If ten budding helden-tenors suddenly emerge in Prince Edward Island then those persons must be given their chance, and who but the national, collective authority can do this? P.E.I. certainly won't be able to, and a series of quotas which allows P.E.I. three-quarters of a helden-tenor every six years can't cope.

It is not enough merely to identify the potential helden-tenor: he must be trained, and when trained he must have opportunities to work, and once established in his work he must have continuing opportunities to reach his greatest potential.

As with the helden-tenor, so with the writer, the painter, the sculptor, the composer, the dancer, the actor, the musician, the film director, the goldsmith, the administrator, and every one of those persons whose "talent" will contribute to the rich cultural life we believe is the real foundation of a "national" life.

Recognizing that it is of central importance to a society that its talent be trained, developed and fully utilized, we recommend that the Government of Canada acknowledge it has a leadership role to play in supporting professional arts training opportunities. Its efforts and initiatives in professional training should be co-ordinated with the provincial governments, their relevant departments and agencies, and in continuing consultation with the arts community. The Canada Council and other federal cultural agencies should be provided with the necessary resources to continue and expand their support of professional training opportunities, including provision of more and larger awards, active encouragement of on-site apprenticeship programs established by professional arts organizations, and continued and increased support of schools and training programs of quality and excellence. The federal authorities should also ensure that assistance for professional training in the arts and the cultural industries is provided in the same manner it offers assistance for training in the general employment area.

Major issues: 8) Arts and education

Our policy objectives for national cultural development cover the full spectrum of creation, production, distribution and use of Canadian cultural materials. To realize these objectives, federal action to support the development of the arts and the cultural industries must be paralleled by action to develop the people and audiences who are the users of the cultural products. The Government of Canada cannot ignore the needs of arts education.

Jurisdictionally, education is a provincial responsibility, with standards for the certification of educational institutions, qualification and training of teachers, curricula development and physical facilities all firmly controlled by provincial authorities. Yet, despite its lack of formal authority over education, the federal government currently possesses indirect means to affect the range of educational experiences available to both children and adults. The National Film Board, the CBC, the National Gallery and the National Arts Centre, all provide services of an informal educational nature. Federal funds channeled through the Canada Council support an extensive array of independent arts and cultural services specifically designed for use within the school system.

Important as these services are in contributing to the quality and variety of opportunities available for Canadians to discover and explore the nature of artistic activity, it is the formal education system which provides the best base for ensuring that future artists and future audiences have regular exposure to the arts at an early age and throughout their years of formal learning. It is within the schools that a federal investment in the audiences of the future needs to be made.

The federal government has already developed means to support educational opportunities in areas essential to national interests and development. It participates extensively, for example, with the provinces in a shared-cost program for post-secondary education. Similarly, it provides a substantial share of the funding for the provision of bilingualism opportunities within schools at all levels. For the 1980-81 fiscal year, federal support for these purposes is expected to amount to nearly \$2 billion.

Given the importance of arts education to national cultural development, the federal government should encourage provincial authorities to fulfill their responsibilities. In consultation with the Council of Ministers of Education, it should investigate the feasibility of establishing a shared-cost program with all provincial governments to promote opportunities for, and the standards of, arts education, particularly at the primary and secondary levels. Further, it should ensure that the Canada Council and other federal cultural agencies are provided with the means to continue and expand their support of services and activities specifically designed for young people.

Major issues: 9) International cultural relations

The department with major responsibility for international cultural relations is the Department of External Affairs, but various departments and agencies pursue the projection of Canada's cultural image abroad in quite independent ways. Despite recent increased efforts, we feel the real commitment of the Government of Canada is unsatisfactory.

A major weakness is the lack of a comprehensive federal policy for the international promotion of Canadian creators, performers and cultural materials. Inadequate coordination of program initiatives is a second major failing.

International activity should be regarded as a direct extension of our domestic cultural policy. Encouragement to create Canadian materials and enable them to compete effectively for interest in our domestic market should be supported by policies designed to develop ways and means to distribute these materials internationally on a continuing basis.

Provided that efforts are made to actively develop international market demand for Canadian books, periodicals, films, recordings, television programs, paintings, sculpture, craft objects and other Canadian cultural materials, we are convinced that Canada can reap significant political, social and economic benefits.

Quite apart from the direct economic benefits resulting from foreign sales of our cultural products, heightened international interest in Canada's culture can lead to long-term trade benefits for other sectors of the Canadian economy. It was no coincidence that led Northern Telecom to provide a major subsidy to the National Ballet to enable it to perform at Covent Garden. It hoped to exploit international recognition of the fact that there is a close relationship between a sophisticated art form requiring high dedication and skill, and the creation of sophisticated technological hardware.

By drawing attention to Canada's cultural wealth and diversity, effective promotion of the arts abroad can also have a very significant effect on the tourist trade in this country.

That trade can follow art is not a new idea, but to achieve its full impact co-ordination and planning among several federal departments and agencies is needed, as well as provincial and corporate involvement.

In the same way that we believe the Department of Communications should play a key co-ordinating role domestically, we believe the Department of External Affairs should assume this role for the international aspects of cultural policy. In addition to retaining its authority for the negotiation of the necessary cultural agreements, External Affairs should be further authorized to act as the principal co-ordinator for all efforts designed to promote the arts and the cultural industries abroad. Emphasis must immediately be placed on the need for a greater financial commitment, qualified personnel, adequate facilities, an effective information system, and improved marketing and promotion. Sufficient resources should be provided so that it may exercise strong leadership in stimulating initiatives by other federal departments and agencies, as well as the provincial governments and the corporate sector.

We believe that actual program operations can be better carried out by other appropriate departments and agencies. The cultural agencies in particular have greater flexibility and expertise in many program areas, and these advantages should be utilized.

Although some members of the arts community have recommended that a new cultural agency similar to several European models should be established to assume overall responsibility for Canada's international cultural relations, we believe there is more to be gained, at least in the short term, from encouraging the Department of External Affairs to augment its cultural program. If it is unwilling or unable to do so, alternative means must then be considered.

In advocating the above course of action, we are convinced that the Department must re-evaluate its present activities. We therefore strongly

recommend that an advisory committee made up of knowledgeable people committed to, and having the respect of, the arts and the cultural industries should be established immediately to examine and make recommendations on present policies and to guide future directions.

We are convinced that Canada can reap significant benefits if the federal government will use its authority and powers to spearhead a dynamic, on-going program of cultural promotion abroad.

Major issues: 10) A new source of funding

The present level of support through individual and corporate donations to not-for-profit arts and culture organizations and institutions is very limited. While the tax laws are generous, permitting the deduction of such contributions from income up to a maximum of 20% of total net income, the average donation by business to "charity" (which includes the arts) is a mere one-half of one percent, and only 10% of this total - that is, one-twentieth of one percent overall - goes to culture.

Yet the public believes that business should support cultural activities. In the survey of public attitudes quoted earlier in this paper, 76.4% of those questioned thought the corporate sector should play a major role in providing financial support to the arts.

While it would be unrealistic to assume that individual and corporate support would ever attain the level of government support, it would nevertheless be desirable to adopt policies which would encourage and facilitate increased private donations to not-for-profit cultural activities. We have already stated the basic principle that there should be multiple sources of financial support for arts and cultural activities.

The corporate sector, and particularly the large corporations, are overwhelmed with appeals from an ever-multiplying number of causes. Although attitudes are changing, many corporations are still uncomfortable making donations, especially if the art is in any way experimental. Others, and in particular smaller corporations, simply find it difficult to evaluate the funding requests they receive from the arts. Some corporations support the arts through their promotions budget, but confine their assistance to established organizations from which they gain good public relations value. Business continues, in the main, to feel that culture, like education and health, should be a government responsibility.

To achieve a substantial increase in support from both the corporate sector and from individuals, we recommend that consideration be given to a new and innovative approach.

The basic elements of the proposal are as follows:

- A new cultural development fund, which for the sake of discussion we are calling The Cultural Bank of Canada, should be established to provide additional support to the arts and the cultural industries in Canada within a framework consistent with the cultural objectives and basic principles outlined above. It should be in a position to provide direct financial support, debt or equity financing, investment, and generally be free to develop a flexible and innovative program of support for the arts and cultural industries.
- The fund should be financed on the one hand by corporations and individuals, and on the other, on a matching basis, by government. The government contribution could include lottery funds.
- The new fund should operate independently of the federal government on the basis of guidelines agreed to by the corporate sector and government.
- The board membership should consist of appropriate, competent and public-spirited Canadians chosen on a basis agreeable to the business community, the artistic and cultural community, and government.
- A minimum ten-year financial commitment should be made by the federal government in order that the fund may establish itself and find its place in the cultural life of Canada.

This major new initiative combines a number of elements which we believe are necessary to the further development of the arts and the cultural industries. First, it would provide a new, alternative source of additional funding and support, to be administered under somewhat different conditions, and with possibly a more innovative attitude than the present mechanisms allow. Second, it is designed to be run by those most concerned with its success: representatives of the funders on the one hand, and those who will use the funds on the other. Third, it provides a way for interested corporations and individuals to assist the arts and the cultural industries without the need to become directly involved in adjudication, monitoring, and the administration of the fund.

If the federal government agreed in principle to this new venture, then it seems likely that agreement among the other parties involved could be reached. The resulting new source of cultural support would represent an important complement to existing agencies. Such a fund could offer a program of funding of the arts and the cultural industries that would significantly expand the ability of the Canadian production industry to develop the talent to produce Canadian materials for the use of Canadian audiences, and to provide for the Canadian control, production and distribution of such materials.

PART III

The arts and the cultural industries:
Sectoral analyses and recommendations

When you have money in your
pocket you are wise and you are
handsome and you sing well, too.

Yiddish proverb

The arts

Of all noises, I think music is the least disagreeable.

Samuel Johnson

Royalties are nice and all that but shaking the beads brings in money quicker.

Gipsy Rose Lee

Any fool can paint a picture, but it takes a wise man to be able to sell it.

Samuel Butler

How wonderful opera would be if there were no singers.

Rossini

The artist must know how far to go too far.

Jean Cocteau

I am not a politician, and my other habits are good.

Artemus Ward

The arts: Performing arts

Scope

An extremely complex, interrelated network of players and activities make up the performing arts community. Our concern lies principally with those players most directly involved with creation, production and distribution at a professional level within dance (classical and jazz ballet, modern, and experimental); music (vocal and instrumental); opera/lyric theatre; and theatre (including mime and puppetry).

Our concerns include individual artists: the choreographers, composers, lyricists and playwrights who are the primary creators of Canadian works; the dancers, musicians, singers, actors and actresses, mimes and puppeteers who interpret the work of the primary creators; and the producers, directors, conductors and designers who are responsible for the production of the performing arts.

Our concerns include the performing arts companies and the theatres, concert halls and arts centre facilities which are integral to production and distribution.

Specialized training institutions and service organizations are a further important concern since their activities are fundamental to overall development in the performing arts field.

Public interest and demand

According to Statistics Canada, the results of a 1978 survey of leisure time activities showed an increase in the rate of public participation in the performing arts which was more than five times the rate that could have been predicted from demographic data. A fundamental shift in the pattern of leisure time activities has occurred, with the performing arts reaping the largest gains in the bid for public interest.

The survey indicated that patronage of performing arts events is at its maximum, close to 50%, among people who are 15 to 24 years old, and maintains a stable rate, about 35%, among people who are 25 to 45, after which it drops off. Research further shows that participation increases dramatically as the level of education increases, with rates averaging 65% for university graduates in all age groups from 20 to 64. Since the educational attainment of young people is increasing rapidly and should continue to do so, the prospects for continued steady growth in performing arts audiences look extremely good.

Profiles

Since it deals only with major producing companies, the following statistical overview presents an incomplete picture of the total activities in each field of the performing arts. A range of important concerns are not covered, in particular the training needs, employment patterns and income levels of individual creative and performing artists within each field; the activities of institutions such as the National Ballet School, the National Theatre School, the National Youth Orchestra, and the colleges, universities and private schools which offer specialized training in the performing arts; the needs within each field for adequate facilities throughout the country, including theatres, concert halls, dance studios, rehearsal and workshop space as well as facilities for set construction and storage; and the extent to which the broadcasting, film and recording industries are able to make the best works of the performing arts in Canada more widely available to the Canadian public.

The profiles on the producing companies do tell an important part of the story. Since both the artistic and financial status of creators, performers and producing companies are inextricably linked, the circumstances of producing companies are a key indicator of health or decline in other areas. Without the companies, performers and creators would have few outlets for their creative work, limited jobs, and little income. Without the playwright, the composer,

the choreographer and other creators of new Canadian materials, and without a pool of performing talent to draw upon, the producing companies could not fulfill their public mandate to present Canadian works for the use of Canadian audiences.

For the most part, those companies included in Statistics Canada's 1978 survey of the performing arts, from which the following information is drawn, received funding from the Canada Council. The survey therefore does not include information on the activities of the many less established, aspiring companies which the Council was unable to assist due to limited funds.

Dance

Statistics Canada's 1978 survey of the performing arts collected information on the activities of 21 dance companies. In total, these companies presented 1,759 performances to over 1 million audience members.

On average, the dance companies were able to present a 42-week season, offering 34 performances at home and 37 performances on tour. The average cost per performance was \$7,800, or \$12.13 per audience member.

As a percentage of total revenue, federal grants constituted 30%. Provincial support represented 11%; municipal support, 5%; and private donations, 11%. Earned revenue made up 43% of total revenue.

As a group, the 21 companies ended the year with a deficit which amounted to over 3.3% of their total revenue. Total income came to \$12 million, but total expenses amounted to \$12.4 million.

A comparison with the findings of a similar 1977 survey shows that the dance companies succeeded in increasing the number of performances, up 17%, and in attracting more audience members, up 13%. Costs per performance increased, up 3%, as did box office prices, up about 5%.

Music

Thirty-four orchestras throughout Canada were included in the 1978 performing arts survey. Together, these orchestras gave 1,935 performances to a total audience of over 1.5 million people.

The average 1978 season for symphony orchestras was 38 weeks, with each orchestra presenting an average of 45 home performances and 5 tour performances. The average cost for each performance was \$10,300, or \$13.34 for each audience member.

Federal grants represented 21% of total revenues. Provincial governments contributed 15%; municipal, 5%; and private donors, 15%. Earned revenue constituted 44% of total revenue.

Total revenues amounted to \$19.7 million, but total expenses came to \$20.4 million. The orchestras as a group were left with a deficit which represented nearly 3.6% of their total revenues.

As compared with 1977, the number of performances in 1978 actually decreased by 8%. Costs per performance increased by 30%, and box office prices increased by about 39%.

Opera

The six opera companies included in the 1978 survey presented a total of 361 performances to almost 425,000 people.

The average season length was only 18 weeks, which included 42 performances at home and 19 performances on tour. Each performance cost \$20,300, on average, to produce, or \$17.20 for each member of the audience.

Federal grants represented 17% of earned income. Provincial governments contributed 10%; municipal, 6%; and private sources, 15%. Earned income made up 52%, the highest for all fields of the performing arts.

Total expenses of \$7.4 million outstripped total income of \$6.9 million, leaving the field with a deficit of 7.2%.

As compared with 1977, opera companies extended their 1978 seasons by 38%, presented 32% more performances, and attracted 37% more audience members. Costs per performance increased by 10%, but box office prices were held to an increase of only 3%.

Theatre

The 1978 survey included 92 theatre companies which together presented 16,111 performances to over 4.3 million people.

The average season ran for 35 weeks, with 115 home performances and 46 tour performances. Theatre companies reported the lowest average cost per performance, \$2,400, or \$8.84 per audience member.

Federal support made up 20% of total revenue. Provincial grants represented 16%; municipal, 5%; and private donations, 9%. Earned revenue amounted to 50%.

The field as a whole suffered a deficit of 2.7% of total revenues. Expenses totalled \$35.1 million, and income totalled \$34.2 million.

Theatre companies were able to extend their seasons by 3% over 1977 and to increase the number of performances by 5%. Costs per performance were up 5%, and box office prices were up 13%.

Issues

In the past thirty years there has been phenomenal growth in the performing arts, both in creative activity and in audiences. But as the results of the 1978 performing arts survey partially show, that progress is now being threatened.

Whereas in 1977 each of the four disciplines finished the year in a surplus position, in 1978 all disciplines wrote their bottom line figures in red. In 1980, performing arts companies are in an extreme financial squeeze, with deficits climbing to alarming proportions.

Unlike many other industries, performing arts companies cannot compensate for inflation by improving their productivity through technological innovations and economies of scale. By their nature, the performing arts are labour intensive. For theatre, about 30% of the operating budgets are paid in salaries to artistic personnel; for dance, about 36%; for opera, about 40%; and for orchestras, about 65%. Despite these proportions, performers are chronically among the lowest paid professionals in the country.

Since 1978, the effects of inflation and the constraints placed on government spending have forced many performing arts companies to limit the length of their seasons, cut the number of performances, pare the number of performers, restrict the number of new Canadian works presented, suspend special programs for young audiences, and curtail touring activities in order to control operating expenditures. In addition to mounting vigorous fundraising campaigns aimed at private donors and corporations, the companies in many cases have also been forced to raise ticket prices in an attempt to generate increased income.

The combined effect of inflation and fiscal constraints has been to limit in a very serious way the ability of producing companies to fulfill the essential purposes of public support for the performing arts.

The Canada Council remains the major sponsor of professional performing arts activities throughout the country. Yet in 1980-81 the Council is hard pressed to maintain even essential core support for already established activities. It is unable to offer operating grants to previously unfunded theatre, opera and dance companies, and it must continue to restrict the number of orchestras it supports. Its grants to those companies it does assist cannot keep pace with inflation, while operating costs exceed it. The budgets for the Touring Office, the Council's main instrument of cultural exchange, and for the Explorations Program, its main support for projects rooted in a particular region, are frozen at their 1979-80 levels. Assistance for the artists

and the companies which are expanding traditional art forms is severely curtailed, as it is for the commissioning of new works, training, youth-oriented programs and service organizations.

In constant dollars, the Canada Council has not been able to provide any increase in its support for the performing arts for five straight years. Unless the Government of Canada ensures that the Council's appropriation is substantially enlarged, both present and future growth are endangered.

Substantially increased direct federal support through the Canada Council needs to be reinforced by other measures to strengthen the activities of creators, performers and producers in the performing arts fields.

The moratorium placed on the federal capital support program for performing arts facilities has created serious problems for many companies across the country. Even for those companies which own their own theatres, rehearsal and studio spaces, there is a continuing need to make renovations and upgrade technical equipment. Many companies continue to rehearse in rented facilities which are entirely inadequate for their needs. The federal government should promptly reinstate its program of capital support to meet the continuing requirements for improved facilities.

A positive and complementary development to the activities of professional non-profit theatre companies has been the recent increase in commercial theatre activity. Growth in this area needs to be assisted through appropriate tax incentive measures designed to encourage increased private investment in Canadian companies engaged in commercial theatre production.

The recommendations made in Part II of this paper all have major import for the growth of performing arts activities and they should be implemented as part of a renewed federal commitment.

It is also vitally important to all fields of the performing arts that the recommendations which apply to the cultural industries be implemented. As documented throughout this analysis, Canadian audiences have amply demonstrated their interest in the works of Canada's composers, playwrights

and choreographers, its opera, dance and theatre companies, its choirs, soloists, ensembles and orchestras. The fields of broadcasting, recording and film have an active and essential role in ensuring that the best and the most interesting works are more widely and more regularly available.

Recommendations

1. That the parliamentary appropriation to the Canada Council be regularly and substantially increased for each of the next three fiscal years in order to achieve real growth of one hundred per cent in constant dollar terms by the end of the three-year period.
2. That the capital support program for performing arts facilities be re-instated and funded on a continuing basis in order to meet the continuing requirements for renovated, expanded and new performing arts facilities throughout the country.
3. That appropriate tax incentives be introduced to encourage increased private investment in Canadian-owned companies which are engaged in commercial production of the performing arts.
4. That the recommendations made in Part II of this paper regarding Copyright, Tax policies, Immigration, National non-governmental organizations, Professional training and International cultural relations, to the extent that they affect the performing arts community, be implemented in close consultation and cooperation with performing arts representatives.

The arts: Writing

Scope

For the purposes of this section we will be looking at writers whose work is published; that is writers of fiction and non-fiction, drama, poetry, children's literature; and those whose works are performed and/or recorded on stage or for radio, television and film.

Public interest and demand

Over the past ten years there has been an extraordinary growth in Canadian writing, and in the size and enthusiasm of Canadian audiences for new writing of all kinds by Canadians living in all parts of the country.

Writing occupies a central and very influential position in our culture. The thousands of books, articles, films and plays enjoyed by Canadians of all ages every year are all, in the first instance, creations of the writer. The written word fuels the enterprise of publishing, film and television production and stage performance.

Writers continue to be a vital and productive cultural resource for Canadian society.

Profile

As with other professions, writers have established a number of associations to represent and promote the activities and goals of Canadian writers and Canadian writing.

It is difficult to accurately assess the number of practising professional writers active in Canada. The writer membership of the major writers' associations is as follows:

Association of Canadian Television and Radio Artists	1,350
Canadian Authors Association	900
Société des auteurs, chercheurs, documentalistes et compositeurs	495
Writers Union of Canada	320
Société des écrivains canadiens	300
Periodical Writers Association of Canada	300
Union des écrivains québécois	260
League of Canadian Poets	175
Guild of Canadian Playwrights	88
Canadian Society of Children's Authors, Illustrators and Performers	60

The financial reality facing writers today is frankly discouraging, despite the growing popularity of Canadian literature and drama. The Writers' Union of Canada estimates that two-thirds of its members earn less than \$5,000 a year from their writing. The Guild of Canadian Playwrights, one of the organizations representing writers for the stage, calculated that the average income from playwriting in 1978 was only \$2,400. In that same year, the Periodical Writers Association of Canada found that only 15% of its membership was earning \$14,000 a year from writing, and magazine writing is often assumed to be one of the more lucrative sides of the business. According to ACTRA, writers for English radio, television and films earned approximately \$7 million in 1979, an average annual income of \$5,185. Clearly very few writers are making a living wage from writing, and we can probably assume that no poets are, since poetry is a field where the annual royalties rarely exceed a few hundred dollars.

The 1979 survey undertaken by Statistics Canada rounds out this picture of writers' finances. A minority (28%) of writers work full-time at their writing; 40% hold down full-time jobs in other lines of work (though these are often writing-related). Twenty-two percent of all writers have part-time employment.

The figures on revenues from various writing sources corroborates the estimates of the writers groups, but are even more sobering. For example, of the full-time writers who received incomes from freelance newspaper or magazine work in 1978, the median payment was \$2,500; for part-time writers this dropped to \$500. In book publishing the same situation prevails: the median payment to full-time writers was \$1,050; to part-time writers, \$600. In radio and television the median payment to full-time writers was \$6,000 and \$2,000 to part-time writers. In film both full-time and part-time writers received \$2,000. In writing for the stage the median fee of \$800 to full-time playwrights was actually lower than the fee of \$1,000 to part-time playwrights.

What these medians illustrate is the extremely low rate of the fees, royalties and commissions being paid to Canadian writers. In consequence, it is not surprising that average incomes are scarcely any higher. In the Statistics Canada survey these range from \$13,591 for radio and television to \$3,110 for stage writing. These data clearly underline that the highest paid Canadian writers are those in film and broadcasting, the areas in which writers are most effectively organized and have negotiated agreements that provide minimum fees, working conditions, and rates for the many continuing uses made of their work.

Perhaps the most telling statistic of all is the discrepancy between the total incomes earned by full-time and part-time writers from all sources. Those able to devote all their time to writing earn on average \$5,000 less than writers who supplement their income from other sources. This means, in effect, that all writers, even our most commercially successful ones, are personally subsidising the arts and the cultural industries in Canada.

Issues

Canadian writers want a reasonable opportunity to earn an acceptable living as writers in their own country; to be published and promoted by Canadian publishers and producers; to have their work widely available to the Canadian public through bookstores and libraries; and to have their plays in theatres, and their scripts used by radio, television and film.

Writers would prefer to be able to earn a living solely from the production and sale of their work in the marketplace. This remains difficult as long as that marketplace, or the major portion of it, is not in Canadian hands.

The federal government has moved to support certain areas of book and magazine publishing, as well as stage, film and television production, but this action has not been the result of a co-ordinated, aggressive policy to bring these key industries under Canadian control. Canadian writers have suffered because of this.

While writing functions in a commercial environment, it is at the same time an art which thrives on imagination and daring. Historically, new and experimental work has had an uneasy relationship with the marketplace where the commercial imperative often overshadows the cultural. But if the profit-taking aspect of writing is pursued at the expense of the risk-taking aspect it can cripple emerging talent, and dissuade even established artists from exploring new directions. Direct financial assistance which enables writers to "buy time" for exploration is one key to a healthy writing community. But ideally such support should be supplementary to regularly earned incomes.

Action is imperative to strengthen the Canadian book and magazine publishing industries. The restructuring of the distribution/production systems in television and films is an urgent priority. This means that critical decisions have to be taken on policies relating to satellites, pay television, Canadian content, and the re-organization of the public broadcasting system.

The long-term objective of revised tax law, revision of the Copyright Act, creation of compensation to authors and other measures should be to assist

individual writers to earn a decent living from their writing. Programs of direct assistance should be made available to non-fiction and fiction writers and the public funding of reading tours should be continued. Public subsidy of the work of service organizations is, and will continue to be, essential. There is a need to initiate imaginative programs to encourage the development of stage and film script writing.

Writers – print

Although there has been tremendous expansion in the number of published writers over the last few years the situation now seems to be contracting and fewer Canadian titles are being published. This is not because of a crisis in writing talent but rather that publishing houses and periodicals are going out of business, are being bought out by conglomerates, or are turning increasingly, because of market pressures, to commercially exploitable manuscripts. For poetry and playwriting, traditionally marginal sources of publishing revenues, the situation is acute.

In the case of publishing for young people, the challenge must be to ensure that Canadian books and materials and Canadian viewpoints reach Canadian students in the school. If this goal is not met we can only anticipate that the sense of identification with Canada and other Canadians will become even more blurred for the next generation.

The revision of the 1924 Copyright Act and the effect such revision will have on writers' rights and revenues is another matter of critical importance. Canadian writers must have fair and adequate protection for their creative works and benefit fully from the uses made of them. It is imperative that the community directly affected by copyright revision be fully involved in the process of policy formulation before the introduction of new legislation by the federal government. It is equally imperative that the new legislation take as its point of departure the protection of the creator's rights.

The state of the Canadian publishing industry is obviously of prime concern to all writers and is dealt with extensively in this document under the section concerning the cultural industries.

The development of a system of compensation to authors for the use of their work through libraries is a top policy priority, and a mechanism based on a formula related to library holdings is strongly favoured.

Professional associations and service organizations play an important role in presenting the causes and concerns of Canadian writing to the public and the government. As well as working to enhance the professional status of the writer to improve conditions of employment, and to organize projects such as reading tours, these associations have also contributed to the public awareness and discussion of a wide range of issues involving both government and the Canadian public.

Writers - performed/recorded

In the areas of film and television, there is a critical need to restructure the Canadian production, distribution and exhibition system to place control in Canadian hands. This will result in more work for Canadian writers, and more products geared to delivery systems which are readily accessible to Canadian audiences.

Radio drama, once an important part of the basic income of many leading Canadian writers, including many fiction writers, has declined drastically in recent years. English television drama, for all practical purposes, consists of a few series with an occasional original work thrown in. And in film, the area of most dramatic expansion, Canadian writers earned only \$575,000 in 1979, or less than one-half of one percent of the \$165 million invested in the production of feature films that year. The Capital Cost Allowance must be revised to guarantee the encouragement and use of Canadian talent.

The lack of significant opportunities for the professional writer in the Canadian production industry is the cause of one of the industry's most serious problems: the lack of good scripts. The persistent reliance of film producers on foreign writers, and the absence of any significant continuing opportunity for writers in the Canadian television industry, means that Canadian writers

are effectively being blocked from developing their script-writing talents. This situation must be altered if a Canadian production industry is seriously envisioned.

Fundamental to any development of the Canadian production industry will be the revision and redefinition of what is meant by "Canadian" programming and the development of workable content regulations, incentives, and other methods to ensure that Canadian materials do get into the system and out to the public.

As new technologies and delivery systems for television open up, copyright for writers becomes an area of even greater concern. The fact, to take one serious problem, that whole areas such as cable rediffusion and satellite delivery are not presently covered by the present Copyright Act, underscores the necessity for prompt revision.

Freelance status

All writers share concerns related to taxation, insurance and pensions.

The financial situation of writers in every field would be substantially improved if the allowable deductions for expenses on income tax returns were adjusted to permit inclusion of expenses incurred in research (including travel) and in the development of materials of many kinds.

Recommendations:

1. Revise the Copyright Act in line with the proposals advanced by the writing community, and again actively involve representatives of that community in the process.
2. Revise tax legislation to permit the full deduction of all legitimate expenses related to writing, and to exempt Canada Council grants from income tax.
3. Institute as soon as possible a system of Compensation to Authors as fair recompense to writers for the public use of their work.
4. Revise the Capital Cost Allowance regulations for film and television to ensure that Canadian writers are more widely employed.

The arts: Visual arts

Scope

Our survey of the visual arts field includes the professional creative visual artists who work in a wide diversity of media: painters, printmakers, graphic artists, fibre artists, ceramic artists, glass artists, video artists, photographers, performance artists, interdisciplinary artists, and sculptors.

Also included are the production facilities and the galleries and museums (public, university-affiliated, artist-run, and commercial) which serve as important production, distribution, exhibition and marketing centres for the work of Canadian visual artists. Our concerns extend to the related professional and service organizations which serve and represent the interests of various segments of the visual arts community.

We do not deal with the problems or programs of the National Gallery and the National Museums Corporation, or with the gaps in present federal policy in such areas as architecture, the applied arts and the decorative arts.

Public interest and demand

The absence of reliable statistical data makes it impossible to assess with any precision the current extent of public interest in the visual arts. Attendance figures for twenty-nine major public art galleries across Canada as reported in the annual surveys carried out by the Council for Business and the Arts in Canada (CBAC) indicate a remarkable upsurge. Whereas total attendance for 1976-77 was reported as close to 3 million people, by 1978-79 total attendance figures had jumped to 4.7 million, an increase of almost 57%. Exhibitions such as the "Treasures of Tutankhamum" have unquestionably been a major factor in luring public attention.

Recent auctions attest to an awakening public interest in Canadian art, as does the growth of commercial art galleries across the country.

Profile

A serious imbalance has developed in the visual arts, with facilities now being available for the training and development of Canadian visual artists without comparable avenues being open for the production, distribution, exhibition and marketing of their works. The findings of a 1978 Statistics Canada survey of visual artists showed that only one out of every five Canadian artists earned \$5,000 or more in direct art sales. Three out of five were forced to seek additional employment, ordinarily as art teachers, to supplement their income.

The major agency in the country which supports the development of individual visual artists is the Canada Council. In 1979-80, the Council's assistance to artists amounted to \$2.5 million, or 32% of its total support to visual arts activity for that year. Yet of the total public funds allocated to support the visual arts, public art galleries receive by far the lion's share. The CBAC survey reported that in 1979-80 grants from all levels of government to thirty public galleries across the country totalled close to \$24.5 million. Federal grants represented about 41% of that amount; provincial, about 44%; and municipal, about 15%.

Unlike the performing arts where the producing companies are a major source of employment and income for performing artists in particular, a much smaller proportion of the total operating expenditures of most galleries is available for support of visual artists. Of the \$24.5 million received in total revenues by the galleries, about \$6.5 million or 26% was allocated for exhibitions and acquisitions.

Visual artists are affected most directly by decisions made by the galleries about what exhibitions (Canadian or international, historical or contemporary) are to be organized, what funds are allocated for mounting and touring exhibitions, and what acquisition funds are available for the purchase of works for permanent collections. Such decisions define the extent to which particular galleries serve as distribution and exhibition centres for

contemporary Canadian materials. Artists concur that galleries supported by public funds owe strong allegiance to living Canadian artists, but the galleries in most cases interpret their mandates more broadly and emphasize the international and historical aspects in their exhibition and acquisition programs.

The Canada Council encourages increased distribution and exhibition of Canadian works by specifying that its grants to public art galleries across the country be directed toward the costs of mounting exhibitions, not toward day-to-day operating costs. Similarly, it has made funds available on a matching basis to assist with the purchase of contemporary Canadian art for permanent collections.

The Council's ability to support activities which contribute to increased production, distribution and exhibition of Canadian works grows steadily smaller as its budget is constrained. Expenditures for Art Bank, the Council's innovative program designed to assist artists through the direct purchase of their work and at the same time to strengthen the commercial market and enable Canadian audiences to experience more of the contemporary art being produced in Canada, were curtailed to only \$610,000 in 1979-80.

The Council's support to new developments such as the network of "artist-run" spaces is likewise under enormous pressure. Younger artists in particular consider the spaces (known formerly as alternative or parallel galleries) as the public focal point of their work. These small, flexible organizations reflect the extraordinary growth in the number of trained artists and their desire to exhibit in spaces that do not have the formal constraints imposed by most public galleries. This form of artist-run activity has proved extraordinarily successful in closing the gap which normally exists between contemporary art and a wider public.

Issues

The five-year freeze in the Canada Council's appropriation has severely limited its ability to assist with strengthening the production, distribution, exhibition and marketing of Canadian visual arts works.

The elimination of the "One Per Cent for Art" program previously administered by the Department of Public Works has resulted in a significant loss of income for professional artists and commercial art dealers, and in lost opportunities for the Canadian public to view Canadian works.

There is no capital support program to assist with the acquisition or construction of major facilities such as foundries and printshops which are essential to production and increased distribution of works by Canadian visual artists.

There are insufficient incentives within the taxation system to encourage private investors to purchase or commission works by living Canadian artists.

Recommendations

1. That the parliamentary appropriation to the Canada Council be regularly and substantially increased for each of the next three fiscal years in order to achieve real growth of one hundred per cent in constant dollar terms by the end of the three-year period.
2. That the "One Per Cent for Art" program previously administered by the Department of Public Works be re-instated.
3. That a capital support program for visual arts production facilities be established and funded at a level to meet existing needs across the country.
4. That appropriate tax incentives be provided within the taxation system to encourage private investors to purchase or commission works by living Canadian artists.
5. That the recommendations made in Part II of this paper regarding Copyright, Tax policies, Immigration, National non-governmental organizations, Professional training and International cultural relations, to the extent that they affect the visual arts, be implemented in close consultation and cooperation with visual arts representatives.

Crafts

Have nothing in your houses that
you do not know to be useful, or
believe to be beautiful.

William Morris

Crafts

Scope

For purposes of this sector analysis the crafts community constitutes individual craftsmen who produce for the market on a full-time or part-time basis and the related organizations which represent and promote their interests.

Public interest and demand

The extent of public interest in the crafts is suggested by A Leisure Study - Canada 1975, undertaken for the Department of the Secretary of State. It reported that some 15% of all adult Canadians, about 2.5 million people, produced crafts as a leisure time activity, while close to four million visited arts and crafts fairs and exhibits. This extensive direct interest and involvement in crafts activity was paralleled by the market demand for crafts products. In 1979, retail sales of domestic crafts production were estimated to be \$215 million. The crafts market was judged to be growing at a real rate of better than 6% a year. The demand for Canadian crafts is expected to increase due to such factors as the growing desire for individualistic products having indigenous cultural characteristics, changing patterns of tourist expenditure, import replacement, and the development of export markets.

Profile

Reliable statistical data on professional crafts producers are limited. Those studies which have been undertaken indicate that some 10,000 to 12,000 individuals, including native people, are full-time producers of crafts products, while an additional 15,000 produce for the market on a part-time basis. As an occupational group, full-time practising craftsmen tend to be well educated and trained, yet they earn far less than other occupational groups with the

same educational level. Crafts and Craftsmen in Canada, a study undertaken for the Department of the Secretary of State, reported that in 1976 the average annual income of professional crafts producers was under \$9,000, about 20% less than the average income of manufacturing workers.

This relatively low income level has serious ramifications for crafts production. Many craftsmen are forced to supplement their income through other work, generally part-time teaching, and potential producers are deterred from entering the field, electing instead to maintain their involvement through full-time teaching. In contrast to the average earnings of practising craftsmen, Crafts and Craftsmen in Canada reported that teachers of crafts earned more than \$15,000 a year. Poor financial return thus detracts from the crafts as an occupational field. More seriously, by limiting the time which can be devoted to production and the development of skills, it interferes with progressive improvement in standards and production capacity.

Professional producers are attracted to the crafts primarily because of the possibilities the field offers for self-employment and a chosen way of life. Rather than becoming employees of large production studios, many elect to operate their own small-scale business enterprises. However, in order to succeed financially, they must be not only skilled craftsmen, but also skilled businessmen. Many basic problems which now characterize the crafts arise in part from this dual status of individual producers.

According to Crafts and Craftsmen in Canada, the size and scope of the market served is a key indicator of financial success. Whereas a large proportion of local sales are accounted for by part-time and leisure-time craftsmen, the national and international markets are dominated by full-time producers. In order to survive financially, professional craftsmen must push beyond local markets and tap the broader base of demand for quality Canadian crafts.

Issues

A central anomaly exists in the crafts. Research indicates that a large, unsatisfied market exists for quality Canadian crafts, yet also suggests that many professional producers chronically struggle for minimal financial survival and have failed to capitalize on the expanding demand. The following discussion explores some of the major factors responsible for this anomaly.

Training. Most Canadian producers are technically proficient, but few have acquired a sound training in design and many do not compete successfully in the national and international markets which demand superior standards in both the execution and design of crafts products. Problems with the standard of design are at times associated with a lack of talent, but they more often reflect lack of proper design training.

Few craftsmen have the training or the resources needed to identify and develop new markets beyond the immediately local ones.

The failure to exploit market opportunities can thus be traced in part to the training background of producers. Few training programs at present offer an education in design, and even fewer combine technical and design training with a background in business management and marketing.

Access to capital. A scarcity of loan capital constitutes a second major obstacle to increased crafts production and market development.

Financial statistics indicate that both the size and diversity of markets as well as the efficiency and profitability of crafts businesses increase with the greater size and sophistication of production facilities. Few craftsmen have the personal resources to finance the fixed assets, raw materials, goods in process, stockholding and accounts receivable which go hand-in-hand with an enlarged scope of operation. Since a craftsman's major asset is his own skills and talent, producers ordinarily cannot provide security which is acceptable to commercial lending institutions. Capital requirements, although crucial, are often relatively small, and other lending sources are reluctant to handle such small amounts.

Representation and promotion. The decentralized structure and individualistic character of the crafts contribute to a central problem in the field: the need for a forceful common voice to represent and promote craft interests with governments, other sectors of the economy, and the public.

Craftsmen need a stronger collective voice which can speak for them on a national basis and present their needs regarding copyright protection, tax regulations, import and export regulations, all the matters which help to determine the economic climate for crafts producers and their ability to produce and market crafts products.

Recommendations

1. That the Government of Canada define advanced training opportunities as a matter of federal concern and: a) assist with the establishment of national standards for advanced crafts training; b) support the development of curricula design by such national associations as the Canadian Crafts Council for submission to provincial authorities; c) fund training facilities at an advanced level and ensure that financial assistance is available for craftsmen to further their professional development; d) encourage national and international exchange of master craftsmen, administrators and marketing specialists for the purpose of conducting advanced workshops and seminars.
2. That the Government of Canada provide through an appropriate federal agency loan capital assistance to crafts producers to support increased crafts production and market development.
3. That the Government of Canada provide increased assistance and support to the national service organizations which represent and promote the interests of crafts producers.

The Cultural Industries

It should be possible to turn on one's television set and at least know what country one is in.

Pierre Juneau

Not making the films you should be making is awful, but making them and not having them shown is worse.

Claude Jutra

Without communication there is no society, whether it be a hive of bees, a troop of Boy Scouts, a bar association, or a nation.

Graham Spry

The cultural industries: Introduction

The following analyses and recommendations concerning magazine and book publishing, the film and recording industries, and radio and television production and distribution are grouped together under the general heading The Cultural Industries. The usefulness of this grouping has been recognized already in Canada through the creation of the cultural industries branches of the cultural ministries in Ottawa and in Ontario, and the establishment of the Société québécoise de développement des industries culturelles in Quebec. Other provinces are also giving the activities of the cultural industries increasing attention. Most recently, the September 1980 Report of the Saskatchewan Cultural Policy Secretariat recommended the establishment of a cultural industries corporation, parallel to the Saskatchewan Crown Corporations that exist in that province to encourage development in other industrial sectors. Similar problems and preoccupations led both the Council of Europe and UNESCO to host special conferences on cultural industries development policy in 1980.

For purposes of this study the cultural industries have been defined to include both cultural manufacturing and the electronic diffusion of cultural programming. The precise definition that has been used is the following:

The cultural industries are those industries which are involved in the industrial reproduction and market-based distribution or dissemination of products or programs which reflect attitudes, opinions, ideas, and values; express artistic creativity; provide entertainment; and offer information and analysis concerning the past and present.

This definition does not just include the mass media. In publishing, for example, it encompasses literary periodicals and poetry books.

While we have not included in this paper a discussion of all cultural industries we have dealt with most of the major ones. In the case of craft activity, since what is involved is at times a creation of a single unique object, at other times the manufacturing of multiple copies of a work, we have treated the crafts in a separate section. However, it is important to recognize that much of the activity within the craft sector falls within the above definition of the cultural industries.

In each of these cultural industries the existence of copyright, which is the right to reproduce and disseminate copies of a product or program, provides the economic basis for operation. Moreover, the fact that copies of these cultural materials can be reproduced in greater or lesser quantities leads to "economies of scale" of production. The result is that the size of the market for which products are created is a key factor affecting the economics of production.

As the following analyses of the major cultural industries indicate, most of Canada's problems arise from the unequal competitive relationship between imported foreign cultural products and programs, and those produced primarily for Canadian audiences. Since the former are produced for much larger audiences they tend to be of high production quality but enter Canada at relatively low cost and with little investment or risk incurred by the importer. By contrast the investment required and the risks that must be taken by producers of Canadian material are far greater. The recommendations put forward in relation to each sector are designed to create a less unbalanced competitive relationship between Canadian cultural products and their foreign counterparts, but to do so without denying Canadians access to the latter.

Unless cultural policies can be developed which result in an adequate level of production of genuinely Canadian material in all of these industries, and in effective promotion, sales and distribution, then Canadian cultural policy will fail. What is necessary is to ensure that both French and English language Canadians have available to them a choice of cultural materials that includes a range of Canadian magazines, books, recordings, films and radio and television programs.

The cultural industries: Broadcasting

Scope

Although broadcasting is technically defined as over the air transmission intended for direct reception by the public, we are employing a more functional definition which incorporates the production and distribution of programming delivered via radio and television sets. From this perspective, cablecasting, direct-to-home satellite transmission, home videodiscs and cassettes, as well as conventional off-air broadcasting and production by broadcasters and independent television producers, are all part of the broadcasting industry.

That industry provides the dominant leisure/cultural activity of Canadians. In any given year, 96% of Canadians watch television and 85% listen to the radio. The average Canadian adult commits about 25 hours per week to television viewing and a further 18 hours per week to radio listening. The next most popular leisure activities - reading books and going to the movies - engage 72% and 63% of the population respectively during the course of a year. An average of two hours a week is devoted to reading, and considerably less to movies.

While there are significant differences between the French and English language systems in terms of foreign content, most of the extraordinary amount of time Canadians devote to radio and television is spent consuming programs produced in and reflecting the values of other countries - mainly the United States.

We do not, of course, object to the exhibition of foreign materials within the Canadian broadcasting system but there is deep concern that the primary purpose of this system, and of the industries that make it up, has been subverted by the inherent economics of television production, and by structural deficiencies originating in the proliferation of services and the subsequent fragmentation of audiences.

Profile

The Broadcasting Act (1967-68) defines the Canadian broadcasting system as a single system, comprising public and private elements, in which the national public broadcasting service - the CBC - has priority. Under the Act, both public and private sectors are charged with providing programming which, among other things:

- uses predominantly Canadian creative and other resources;
- safeguards, enriches, and strengthens the cultural, political, social and economic fabric of Canada.

Because of its cultural significance, broadcasting in Canada, as in most other nations, is a publicly-regulated sector of the economy. The 1968 Act established the Canadian Radio-Television Commission (later the Canadian Radio-television and Telecommunications Commission) as the regulatory and supervisory authority with responsibility for ensuring that the Act's objectives are realized in operation. In addition to administering content regulations, the CRTC controls licensing, and thus development, of the system. Since 1968, the Commission's decisions have radically altered the nature and dimensions of Canadian broadcasting by:

- authorizing the expansion of CTV into a national television network reaching almost as many Canadians (94%) as the CBC network (98%);
- licensing the TVA network in Quebec, the Global sub-network in Ontario, additional independent private broadcasters, and public provincial educational television systems in Ontario and Quebec;
- authorizing cable carriage of distant (American) signals which has made Canada the world leader in cable penetration, and made cable the primary means of television delivery in Canada;
- through the cumulative effect of these decisions, permitting dominance within the system to shift from the public to the private sector.

The key components of the broadcasting industry as it stands today are the Canadian Broadcasting Corporation, the privately-owned broadcasting stations, and the cable television operators.

Public sector

As the flagship and cultural guardian of the system, the CBC receives direct public support in excess of half a billion dollars annually, which it supplements with \$123 million in commercial television revenues. The Parliamentary appropriation represents almost two-thirds (62.3%) of all federal cultural expenditure. It is, however, less than the combined annual revenue of the private broadcast and cable elements of the system (\$750 million in 1979), and lower than the per capita subsidization provided public broadcasters in countries such as Sweden, West Germany, and Denmark which have neither the language, delivery, nor American competition problems which confront the CBC.

In fulfilling its specifically Canadian mandate, the CBC operates more services (network television, AM and FM radio in each official language; specialized northern/native radio and television services; and an international radio service), and produces more original television and radio programming (127,081 hours at national, regional and local levels in 1978) than any other broadcaster, public or private, anywhere in the world. Because of the range and quality of its services, and the limited resources with which it operates, the CBC has been independently assessed as the most financially efficient national broadcasting system.

The Corporation has been similarly efficient in cultural terms. More viewing of Canadian television programs is attributable to CBC than to all other Canadian broadcasters combined, and virtually all viewing of drama in English Canada is done on the CBC.

The Corporation has stood alone against the drift to Americanize prime time English language television schedules by programming peak viewing periods on its English network with predominantly Canadian content: 68.6% in 1979. Because it has spent the dollars to make that programming competitive, a corresponding 67% of CBC's prime time viewing during the 1978-79 season went to Canadian programs, and the most popular of its Canadian offerings - "Riel" with 4 million viewers; "Duplessis" with 1.9 million viewers; the teleroman "Terre humaine" with 2 million viewers; Anne Murray and Rich Little Superspecials with 3.5 and 3 million viewers, respectively - outdrew their American competition.

Sixty-four percent of the Corporation's total revenue goes to programming, and 95% of those program dollars are invested in Canadian production. With this level of domestic program expenditure, CBC provides English Canadian audiences with all the Canadian radio drama, and virtually all the Canadian television drama, available to them. As a consequence, it also provides Canadian performers and writers with 90% of their total television earnings and has given the country many of the mythical figures of its national imagination: Quentin Durgens, Wojeck, la famille Plouffe, The Sturgess Family, Les Jarry, and The King.

CBC radio has always been an integral part of the life of Canada's artistic community. Over the years the CBC's radio services have provided Canadian composers, musicians, singers, writers, playwrights, actors and critics with a direct link to the public, and the Corporation has been a significant factor in the maintenance of certain cultural groups, particularly the regional orchestras.

Following its reorganization in the early seventies, CBC radio sharply differentiated its AM and FM services. The AM service has little competition for its quality, topical information programming which has substantially increased its audience share in the highly competitive urban markets.

Yet in spite of this remarkable record we have crippled our public broadcasting service in two critical ways:

- 1) We have insisted the CBC earn approximately 20% of its revenue from the sale of advertising and in the process tied the national public service to a network of private affiliate stations, with the practical result that we have reduced a half-a-billion dollar a year public enterprise to a merchandising system that makes the CBC, for too many Canadians, difficult to distinguish from the many other purely commercial channels available to them.
- 2) We have progressively starved the CBC of the necessary funds to do the many jobs we have loaded on its back.

These actions have had a number of unfortunate consequences:

- Our public broadcasting service is less dynamic than it might be.
- We are suffering from an inability to decommercialize our national public television service.
- There is a harsh limitation on the potential for new public satellite program services, such as the proposed CBC-2/Télé-2.
- There is a growing emphasis within the CBC on information programming, which is mainly free of commercials (and therefore of presumed "commercial restraints") and which is gathering a disproportionate share of the limited available resources, further aggravating the CBC's costly entertainment production problems.

As we attempt to solve the problems of the Corporation, we must acknowledge some fundamental facts:

- The CBC is a critical national delivery system for programs of all kinds, including news, information, sports, and - most important of all - popular entertainment. Popular entertainment is the backbone of all major broadcasting systems in the free world, including ABC, CBS, NBC and PBS in the United States, the BBC and ITV in Britain, and CTV and Global in Canada.
- The CBC is not what the Americans call PBS. PBS is a minor, non-commercial delivery system that arose in the United States in response to the overwhelming (and to many unsatisfying) dominance of American broadcasting by the commercial networks. PBS does little or no original programming outside the low cost information area. It has organized very little dramatic or entertainment programming, relying heavily on imported British programs to supply this basic part of its schedules.

In seeking a new identity the CBC should, we feel, have the following general characteristics: it should be non-commercial; its programming should be almost totally Canadian; it should diversify its services by introducing CBC-2/Télé-2 and other satellite program services; it should reduce its dependence on sports as a means of attracting an audience; it should substantially increase its entertainment programming, particularly in the field of popular drama; and it should continue, but not over-emphasize, the information programming it does so well.

Commercial-free educational television services, operated by TVO in Ontario and Radio-Québec in Quebec complete the public broadcasting sector in Canada. With relatively limited budgets, these services contribute varied programming for specialized and general audiences. The governments of British Columbia, Alberta and Saskatchewan also operate growing programming services to augment educational curricula in their respective provinces.

Since this paper is addressed to the federal government, questions related to the operation of these public educational television systems will not be addressed here, beyond noting that they should receive high priority in cable delivery and, equally important, in satellite transmission.

Private Broadcasters

Privately-owned Canadian broadcasters, the second component of the system, have made relatively weak contributions to Canadian cultural consciousness despite their profitability.

According to Statistics Canada, private television broadcasters earned \$440 million in advertising revenues in 1979. Because of American spillover advertising in Canada, this represents approximately half the per capita level earned in comparable markets such as Australia, or in the U.S.

These revenue limitations are more apparent in the programming than in the profits of the private television industry. In its Special Report on Broadcasting in Canada, 1968-78, the CRTC stated that the total revenue of the private television broadcasters had increased from \$95.2 to \$331.7 million between 1967 and 1977 (249%), while operating profits rose from \$15.9 to \$81.4 million (413%). The CRTC concluded that the private television industry, as a whole, appeared to be in "a very healthy position, indeed." Yet between 1975 and 1978, when the pre-tax profits of the private television broadcasters rose from just under 10% to just over 20% of operating revenues, net program expenditures remained relatively constant at 36% of operating revenue.

By 1978, the combined program expenditures of all private Canadian television broadcasters, French and English, totalled \$147 million, slightly more than half the \$275 million program expenditure of CBC's French and English television services. Roughly 50% of the total program expenditures of private broadcasters are directed to Canadian production, as compared to 95% for CBC.

The discrepancy between the public and private sectors in the proportion of total revenue directed to programming in general, and Canadian programming in particular, reflects the private broadcasters' profit requirements and their resulting reliance on low quality Canadian - and a high quantity of American - entertainment programs. While private broadcasters meet the 60% minimum Canadian content requirement in their overall schedules, those in English Canada schedule peak viewing periods (8-10:30 p.m.) with an average 90% American content. Combined, Canadian television schedules thus carry almost the full complement of entertainment programming offered by the three American networks. Since private Canadian television functions as little more than an American rebroadcasting system during those periods when most Canadians are watching, cable-carried American stations serve as re-run channels, duplicating Canadian broadcast schedules, at alternative viewing times, thus greatly increasing our access to American programs.

Given the scheduling dominance and convenience of viewing American programs, it is not surprising that English Canadians spend 74% of their total viewing time - and 90% of their entertainment viewing time - watching American programs despite the fact that they spend 75% of their viewing time tuned to Canadian stations.

Private radio varies significantly from private television in Canada. Unlike television, radio broadcasting is a purely local enterprise which faces no appreciable American competition and is required to meet relatively low Canadian content levels. As an industry, radio is characterized by stronger local competition, less concentration of ownership, and lower per-station profitability than television.

Because of the differences in capital cost of establishment, and spectrum space availability, there are approximately five times more radio stations than television stations in Canada: 376 as compared to 64, in 1975. Since the economic product in private radio, as in private television, is audiences delivered to advertisers, this number of stations makes radio a highly competitive business.

Unlike television, radio is not organized on a network basis (Canada, like the U.S., has no national private radio networks), and is not confronted by appreciable competition from cable or off-air delivery of U.S. signals. Competition is, therefore, restricted to local markets and is between Canadian operators. While the gross revenues of private radio are only slightly lower than those realized by the private television industry, the number of competing stations means that the average gross revenue of individual private radio stations is less than one-fifth that of the average television station.

Concentration of ownership, while high in both industries, is less marked in radio. The top ten companies in radio account for less than half the industry's earnings, while the top ten television owners earn more than 65% of gross television revenues. Standard Broadcasting and CHUM, the two largest elements in Canadian radio, earned 14% of total industry revenue in 1975, while 40% of the television revenues went to four major operators (Baton, Télé-Metropole, Southam-Selkirk, and Western Broadcasting).

Despite the higher concentration of ownership in television, there are fewer individual radio operations. A 1978 CRTC study on concentration of ownership in Canadian broadcasting reported 81% of radio stations were group-owned, as opposed to 56% of all television stations. It should be noted that there is considerable cross-media ownership between television and radio.

Canadian content regulations were applied to AM radio in 1973, and to FM radio in 1976. A 30% Canadian musical content, which includes performances and compositions, is required on AM services. Since the "talk" portions of programming between records is almost all Canadian, AM radio can be said to be predominantly Canadian in terms of its overall programming.

FM programming is, to an even greater extent than AM, comprised of musical recordings and includes certain categories of music in which relatively little Canadian material is available. Canadian content on most FM stations is therefore not predominantly Canadian. To counter this situation and guarantee distinctive FM formats, the CRTC has, since 1976, required FM stations to produce and schedule 16-25% non-record, foreground segments which are, by definition, Canadian.

These content regulations have profoundly affected Canadian radio and, through their music requirements, created a subsidiary indigenous recording industry.

Cable Industry

The third major component of the system, cable television, began in Canada in the Fifties as a technical service providing improved reception of off-air signals, including American signals spilling over into border areas. Cable has subsequently surpassed off-air reception as the preferred means of television delivery for the majority of Canadians.

In 1967, cable systems in Canada had slightly over 516,000 subscribers. In the early Seventies, the CRTC authorized cable carriage of distant (including foreign) signals brought in by microwave. From that point, the functional purpose - and economic rationale - of cable has been delivery of American

signals. Cable has expanded beyond border areas to all centres where concentration of population has made its installation economically worthwhile. Today, 80% of Canada's 7.5 million households have access to cable and an estimated 59% (4.4 million) subscribe.

Cable revenues have grown accordingly. Statistics Canada reported those revenues at \$22.1 million in 1967. In the following ten years, the GNP rose by 213% while cable industry revenues grew by 934%, and its operating profits increased by 1,113%. The Canadian Cable Television Association today projects 1980 cable revenues at \$350 million. While this revenue level is lower than that of private broadcasters (\$440 m) or the CBC (\$700 m), the CRTC has predicted that it will overtake both as cable services continue to expand.

Cable revenues have been maximized without reference to Canadian production, however. Because cable has been permitted to function as a hybrid - and largely irresponsible - element within the system, it has paid no royalties for the programming it carries. Less than 5% of its gross revenue has been directed to Canadian programming, limited to production for mandatory community channels. Despite the fact that cable revenue growth is a result of protected monopoly status, the cable industry has been exempt from strict rate of return regulation applied to other regulated monopolies.

Similarly, cable systems have operated as programmers only in terms of their community channels but have, on the basis of their common carrier role, been otherwise exempt from content regulations applied to other programmers. As a result, basic service on most systems mixes four 100% American channels with four to seven 60% Canadian channels for an average 70-80% foreign content in total programming delivered to subscribers. Cable has thus circumvented the intent of the CRTC's Canadian content regulations: that the majority of programming delivered to Canadian audiences be of Canadian origin. Despite the "single system" concept, the CRTC has applied a double standard to cable operations and, in so doing, contributed to loss of respect for its regulations on the part of other elements within the system.

More recent CRTC decisions have authorized wide-scale takeovers within the industry, concentrating cable revenues in the hands of a small number of large operators who have begun to direct some of those unregulated revenues into pay cable systems in the U.S. It is estimated that Canadian cable operators have already invested some \$200 million for ownership of 4 to 5% of the U.S. cable industry.

With more than one million subscribers, Canadian Cablesystems Ltd. is the largest Canadian operator and is emerging as the "chosen instrument" of cable expansion, leading the cable industry lobby for the introduction of new cable-carried programming and non-programming services. For the purpose of networking satellite program services, beginning with pay TV, the cable industry has formed both CSN (Cable Satellite Network) and PTN (Pay Television Network). Revenues from pay television are intended to capitalize new security hardware prerequisite to offering the range of premium television services now being introduced in the United States. Since basic cable penetration in Canada is considered to be at saturation, future profitability of the industry rests on the introduction of such services and/or expansion into the virtually untapped U.S. market.

Issues

Privatization

When it authorized cable to import American signals, the CRTC set in motion a chain reaction which has functionally reversed the predominantly public, predominantly Canadian assumptions of the Broadcasting Act. Largely through mismanagement, cable expansion has progressively privatized Canadian broadcasting; given the bias of the market, this privatization has Americanized the system's content.

Because it expanded without content requirements, cable's American channels fragmented the Canadian audience. In an attempt to retrieve the audience, the CRTC licensed multiple private Canadian stations, which further fragmented the advertising revenue base. Increasing Canadian stations placed

an onus on the system to increase Canadian programming at the same time it diminished the revenue available to support such production. Because cable has been exempt from financial responsibilities within the system, its escalating revenues have provided no appreciable compensation to broadcasters. Attempting to compete in the market, broadcasters resorted to programming their peak viewing periods with more American content. Rather than combatting the availability of American programming, the new stations thus contributed to it, and to the economic treadmill which excludes Canadian production. The CRTC's own program substitution policy further aggravated this situation.

At the same time, Parliament has severely curtailed the CBC's budget - notably through a \$71 million cut in the Corporation's 1978 appropriation - despite public opinion polls which indicate that an increasing majority of Canadians favor increased tax support for CBC production. These restrictions have slowed the Corporation's plans to Canadianize its schedules and extended its reliance on commercial revenues. While the Corporation has recognized the necessity for strategic response to the increasingly competitive broadcasting environment of the satellite age, its plans for new satellite program packages, such as CBC-2 and pay TV, have been hampered by lack of funds.

As the technological challenge increases the existing stresses on the system, it will be increasingly important to concentrate Canada's limited resources and organize them on a complementary, rather than competitive basis. The CRTC has recognized the benefits of concentration in our small market in its decisions on cable takeovers. However, such concentration amasses potentially dangerous control over one of the most influential sectors of society unless it is undertaken within the public sector.

Because of the incompatibility of the market bias and Canadian content, and the dangers implicit in concentration of private control, the public sector will, in the future as it has in the past, carry the primary responsibility for the Canadian system.

However, no sector can in the future be exempt from direct or indirect financial responsibility for programming. Private sector proposals for Canadianizing the CBC and concurrently freeing the private broadcasters from content regulations - in order that they can compete with new satellite-delivered American services - is perhaps the most blatant example of where economic logic leads the Canadian system.

Scheduling

While it has traditionally been assumed that the dominance of American content in Canadian broadcasters' schedules (including, until recently, the CBC) was a reflection of audience demand, there is increasing evidence of a direct correlation between scheduling and viewing patterns. The 90% American peak viewing schedule of the private broadcasters corresponds to the 90% American viewing of the Canadian audience. The parallel statistics on CBC peak viewing and scheduling of Canadian content in recent years further indicates a causal relationship. Clearly, Canadians can't watch their own programs if those programs are not available to them at the times when they concentrate their viewing. CBC has established that Canadian viewing preferences, given a competitive Canadian alternative, may not be as conditioned as private broadcasters would have us believe.

Whether or not our prime time schedules reflect what Canadians want to watch, they do reflect what private broadcasters want to show them. Marketplace economics provide private broadcasters with a double disincentive for the production or competitive scheduling of Canadian content. As the United States' largest customer, Canada provides an easy incremental market in which American entertainment programs are "dumped" at a fraction of the cost of their production. Despite competitive bidding among proliferating broadcasters in Canada which has tripled the rates paid for U.S. product in the last five years, its purchase price remains a bargain in relation to the cost of producing a Canadian equivalent.

At the same time, the appeal of American programs to advertisers (whose air time is almost exclusively purchased by subsidiaries of American ad agencies) is such that they generate more revenue than Canadian programming. These two factors combined mean that private broadcasters can earn three to five times the purchase price of an American program in the schedule, whereas advertising revenue is rarely sufficient to recover the relatively high cost of producing competitive prime time Canadian content.

This elementary economic equation dictates that Canadian entertainment programs produced to meet content regulations are either low budget, "empty" offerings such as game shows, or higher cost productions such as CTV's "Circus" which are aimed at the U.S. market and contribute little to Canadians' sense of themselves and their heritage. High cost, high risk Canadian drama, which not only contributes to cultural awareness, but develops and maintains the resident talent base, is extinct in private Canadian television.

Pay television

As the U.S. moves to deregulate its traditionally over-regulated market, cable and pay television - pay cable - are being introduced simultaneously in major centres. This approach, adding more channels to a system which still lags far behind the wide selection of program services long available on Canadian CATV, is one uniquely suited to the American situation. In Canada, despite a demonstrated lack of public demand for pay television, and the predictable economic necessity of dependence on American product if pay were introduced, Canadian cable operators are lobbying for the introduction of a pay TV system based on the American discretionary model, whose programs would be mainly supplied by the biggest U.S. pay television distributor, Home Box Office.

While the ostensible reason for introducing such a service into Canada is the generation of funds for the Canadian production industry, the real motivation for the cable operators is increased profitability to permit capitalization of a new generation of hardware for services they plan to offer. The rationale the federal government is using for its support is that a Canadian pay system will counteract illegal reception of U.S. satellite signals carrying American pay services.

Because of the limited size of the Canadian market, the multiplicity of existing services, cable saturation, the specifically Canadian expense of providing programming in two languages, and the necessity of directing revenues to capitalize expensive security hardware, the potential profitability of pay television in Canada is dubious. Its potential to increase Canadian entertainment viewing from 90% to 95% American is obvious. Whatever funds discretionary pay TV might return to Canadian production could in no way compensate for the increased American fragmentation of the Canadian audience.

If pay television is introduced into Canada on a discretionary, profit-oriented basis, American pay TV suppliers will have an open invitation to confiscate our pay television market as Hollywood has our movie theatres. Saskatchewan, for example, which has operated a provincially supported pay service for three years, has given over programming to HBO's major competitor, Showtime, and undertakes no domestic programming. Despite its American content, the Saskatchewan system has not proven economically viable.

If, on the other hand, pay television is introduced as a basically Canadian service, and on a universal basis which is capable of maximizing both the Canadian presence and the financial benefits to production, it could be a valuable new "window" for Canadian producers. If pay TV is deemed politically necessary to offset illegal reception of U.S. satellite signals, then it should be introduced on the latter basis which would permit levels of Canadian content consistent with the objectives of the Broadcasting Act.

We believe that the immediate issue is not pay television per se, but rather subscription revenues from proliferating program services, and the means by which they can be harnessed to support Canadian production. The Conference is a member of the Joint Action Committee, which has advanced a proposal for universal satellite services, including pay television, which would provide maximum quality entertainment programming to the Canadian audience, at minimum cost, while providing an additional \$200 million annually for Canadian program production - approximately ten times the maximum amounts considered possible from discretionary models of pay television.

Regulatory Perspective

As technology undermines the CRTC's ability to regulate the market, realigning the financial dynamics of Canadian broadcasting with its larger objectives will require new regulatory perspectives, practical policy guidelines against which to assess additions to the system, and the incorporation of structural safeguards in the design of new systems. If we are not to mismanage the integration of satellite services, they will have to be established on the premise of carrying and funding Canadian content, and such funding will have to be indexed to the increasing profitability of those services. This is not onerous over-regulation, but a logical and sensible strategy for achieving an identifiable domestic broadcasting system.

The Cable Industry

It is imperative that the cable industry begin to make a substantial contribution to achieving Canadian programming objectives. Given that the industry operates on the basis of local monopolies and, therefore, has a special position of unparalleled strength in the broadcasting industry, the decision should be made to exclude cable from a programming role and to develop instead measures which will ensure that cable contributes financially to Canadian programming objectives.

The combined advantages of monopoly status, zero cost programming, and exemption from rate of return regulation have created the cable industry's financial strength. Those advantages, bestowed by the government, have not been responsibly utilized by the industry. The revenues they have generated must immediately take over a significant share of the financial responsibility for Canadian program production.

Priorities and Objectives

A natural conspiracy of geography, language, and market size has placed Canadian broadcasting in the wake of the world's best financed, and most prolific, media producer. Rather than attempting to compete by

concentrating resources under federal public control, Canadian broadcasting has evolved into a primarily private, fiercely competitive system subject to chronic underfinancing, jurisdictional disputes, and American product dependence.

What is socially essential is not commercially viable in the Canadian market, as it is now structured. Canadian content regulations have not surmounted the built-in disincentives for effective production and scheduling of Canadian programs. The disproportionate responsibility for Canadian programming and cross-subsidization carried by the CBC has camouflaged, but not compensated for, the private sector's consistent default on the public objectives of the system.

As we approach the 21st century, traditional economic, social and cultural patterns are being transformed by the marriage of the computer and the television screen. An array of regulated and non-regulated delivery technologies, from discs to dishes to fibre optic cables, are about to restructure broadcasting as we know it. If the viewer choice they promise is a source of anticipation for the audience, it is a source of anxiety for policy-makers. Since these technologies are not culturally neutral, they pose a fundamental challenge to the nature of traditional systems, and force equally fundamental choices in respect of future development of those systems.

As technology increases the stress on Canadian broadcasting, it will expose the structural deficiencies of the system. Television, in English Canada in particular, will face the simultaneous increase of delivery modes and decrease of regulatory ability to supervise their content, as well as an increase in the need of Canadian programming and yet, by further fragmentation, a decrease in the revenue base to support its production. The centralizing dynamic of satellite technology will eclipse the local licensee concept on which the system is predicated at the same time that cable delivery will reinforce provincial claims to jurisdiction. By what rationale will private broadcasters be able to justify their existence if they continue to offer prime time schedules which are indistinguishable from their American counterparts, once these are directly available by satellite delivery?

In the past, increased viewer choice has meant an increased choice of American programs and increased Canadian submersion in the continental system. If that pattern is repeated with new services, the rationale for an independent Canadian system will be forfeited. If, on the other hand, Canadian broadcasting chooses, at this juncture, to really compete for the Canadian audience with unique and identifiably Canadian programming, new and massive sources of production funding will be required.

An overlooked benefit of the new technologies is their capacity for direct user payment for television services. Subscription revenues, already generating hundreds of millions of dollars annually in the cable industry, will grow as traditional revenue sources fall into a relative decline. If subscription revenues are exploited for private profit, as the airwaves have been, there is little possibility that the Canadian program presence will survive as more than a news and sports addendum in an integrated North American system.

By attempting to serve multiple masters, the Canadian system has been structured for non-performance. If it is to survive in the satellite era, fundamental choices will have to be made. The most basic of those choices is whether the television system will continue to be developed in response to commercial imperatives - with attendant competition, duplication, and revenue drain away from production, or whether public dominance will be reasserted to permit concentration of resources - and priority of development - for basic Canadian services.

Fifty years ago, the founding fathers of Canadian broadcasting, from Sir John Aird to Graham Spry, recognized the equation between privatization and Americanization of our system. Spry's prescient dictum, "the state or the United States," presented the essential and enduring choice facing Canadian policy-makers. With the establishment of the CBC, Canada chose in favor of its own voice; subsequent policy decisions have reduced that commitment from an operating policy to mere rhetoric in the Broadcasting Act.

We believe that broadcasting is an elementary part of the public service infrastructure of a mature society. As with roads and schools, its operation should be dedicated to social benefit, rather than private profit. The issues

which now confront the Government and the CRTC - extension of service, pay TV, regulatory defiance, illegal reception of U.S. satellite signals - are not discrete problems amenable to ad hoc solution. Rather they are symptoms of a systemic problem: the economic structure of the present system which secures the dominance of American programs, independent of public preference or CRTC directives.

In the 1980s structural, rather than regulatory, solutions must be found for the problem of Canadian content and its funding. Those solutions need to be original, not imported, and designed to meet the very specific broadcasting needs of this country.

In its Special Report on Broadcasting 1968-78 the CRTC defined those needs succinctly:

The Canadian broadcasting system is a national cultural resource dedicated by statute for the benefit of all Canadians, in all regions of Canada, to safeguard their identity and unity, to enrich their cultural understanding, and to strengthen the fabric of their country. If the system does not provide those programming benefits, then it is nothing.

The central issue of Canadian television - which must supercede all other considerations - is that those programming benefits are not possible given the present ratio of foreign to domestic programming which is scheduled and viewed, on English television in particular. While we do not object to the inclusion of foreign material in the program mix of the Canadian system, we do object to the dominance of such material which is now supplanting the internal lines of communication prerequisite to articulation of our own social and cultural values.

The Clyne Committee Report made three fundamental assertions which we wish to emphasize:

- 1) Canadian sovereignty in the next generation will depend upon communications.
- 2) The CBC is the principal instrument of Canadian sovereignty and cultural aspirations, and should be given the resources to fulfill its responsibilities as such.
- 3) If we wish to have an independent culture, we will have to continue to express it through radio and television.

Canada has had more need of the cohesion of television than almost any other country, and has used it less effectively. Where television might have become the most powerful instrument of our national imagination, opening communication across our vast distances and permitting social consensus, it has tended to have the opposite effect.

If Canadian broadcasting is to serve as an instrument of Canadian sovereignty, we cannot proceed with its development on the basis of assumptions and structures which have repeatedly defeated its objectives in the past. Extraordinary measures must be taken to counter the essentially hostile environment for Canadian program production. First among those measures is a redefinition of the broadcasting market in terms of its social, rather than financial value, a value that warrants the national priority recently assigned to the repatriation of our energy resources.

Recommendations

Policy priorities

1. That the Government of Canada acknowledge the central role of broadcasting in ensuring Canadian sovereignty, and assign to this sector a priority comparable to that which has recently been assigned to the development of energy.
2. That the Government of Canada reaffirm Section 3 of the Broadcasting Act as the cornerstone for the development of the Canadian system.
3. That the Government of Canada, as a matter of urgent priority, develop coherent, comprehensive policy guidelines as criteria for the fundamental decisions now confronting the CRTC, which address:
 - mechanisms for ensuring that present and future subscription revenues in the system support the production of Canadian programming;
 - the implications of concentration of ownership, and cross-media ownership, within the system;
 - copyright payment for cable and satellite use of program material;
 - priorities for the orderly introduction of domestic satellite services, including CBC-2, pay TV, and native program services;
 - Canadian objectives in relation to the transborder reception of satellite signals;

- co-ordination of the resources of film and television-related government agencies (CFDC, NFB, CBC, Canada Council) in the development of a predominantly Canadian system;
- means of assuring continued local and regional programming;
- the introduction of non-programing and special programing services;
- the interrelationship of cultural and industrial strategies in broadcasting and communications.

Restructuring the communication system

4. That the Government of Canada undertake, with the CRTC, a co-ordinated restructuring of the production and distribution elements of the system to assure a more effective distribution of responsibilities related to the goals of the Broadcasting Act, and maximum possible support for the production of high quality, competitive, and identifiably Canadian programming. The Canadian Conference of the Arts, as a member of the Joint Action Committee on pay TV and Satellite Policy, has submitted a detailed model for such restructuring to the CRTC.
5. That, as proposed by the Joint Action Committee, a comprehensive satellite package of Canadian services be distributed on a universal basis by satellite/cable.
6. That the CRTC reject the American model of discretionary pay TV as culturally inappropriate and economically non-viable in the Canadian market. If a movie channel is considered necessary to offset illegal reception of U.S. services it should be available on a universal basis which will ensure maximum air time and revenue return to Canadian production.
7. That, as recommended by the Clyne Committee, the cable industry be:
 - a) established as a common carrier on the principle of separation of content and carriage;
 - b) directed to return a significant portion of existing and future revenues to independent Canadian production;
 - c) regulated on a rate-of-return basis as are other common carriers.
8. That a Foreign Program Purchasing Monopoly be established to purchase on a monopoly basis, and resell on a competitive basis within the domestic market, all foreign programming for use on Canadian television, including the American networks in their entirety, should their continued delivery be deemed desirable.

9. That the CRTC undertake a review of the financial structure of the CTV network, as proposed in the network's 1979 license renewal decision, with a view to reorganizing CTV financing in a manner which would more reasonably reflect the profitability of its affiliates.

The CRTC

10. That the CRTC resist pressures to proceed with licensing new elements of the system prior to the independent policy determination of Canadian content hearings, and the anticipated Communications Bill. This applies particularly to pay television which, if introduced on the announced timetable, could functionally determine a number of policy issues independent of the review process.
11. That the CRTC utilize its authority (recently upheld by the Federal Court) to impose conditions of licence as a means of ensuring more equitable sharing of responsibility between private and public elements of the system for the production of quality Canadian drama.

Canadian content

12. That the CRTC strengthen and extend the Canadian content regulations for television broadcasting to assure that the quality and availability of Canadian programs are conducive to their viewing by the Canadian audience. Specifically, we recommend that:
 - regulations be applied to peak viewing schedules;
 - the earlier forms of the Canadian content regulations, including program category quotas, quarterly averaging, and the limitation of programs from a single foreign source, be restored;
 - the definition of "Canadian" be tightened and made consistent with the definitions proposed in the film section of this paper for purposes of the Capital Cost Allowance related to Canadian film and television production;
 - the Canadian content regulations be applied to all elements of the system, including the total program package delivered by cable, and permit no exemptions for new services such as pay TV.

The public broadcasting system

13. That the Government of Canada reaffirm the role of the CBC as the main instrument for the expression of Canada's cultural life, and as the principal vehicle for the preservation of social and cultural sovereignty.

14. That, subject to the development of appropriate plans for expanded activity, the budget of the CBC be increased over the next three years by approximately 50% and maintained at a level equal to 1.5% of total federal government expenditure.
15. That plans be made to progressively remove commercials from CBC television, leaving commercial revenues to the private broadcasters.
16. That the priority of public services in the allocation of satellite capacity, the development of satellite services, and the priority of cable carriage be established.

The private broadcasting & program production industry

17. That, through a combination of regulations and incentives (wherever the latter are justified), the federal government take action to ensure that a significant proportion of the gross revenues of the private television broadcasters, and of their program production budgets, are committed to Canadian program production and the purchase of Canadian programs from independent producers.

Communications research institute

18. That the Government of Canada establish an independent content-oriented Institute for Communications Research to assess, and plan strategically for, the impact of telematics on the Canadian system and its content.

Copyright

19. That the revised Canadian Copyright Act extend copyright protection to cover the diffusion and rediffusion of program material over cable and the transmission of program material by satellite.

The cultural industries: Film

Scope

This section deals with the production and distribution of film materials for the theatrical, television and educational markets, produced by public, private, institutional or independent producers. While this paper analyzes film and television separately, it should be understood that there is a strong interrelationship between these two cultural industries, which will increase under the impact of the new delivery technologies.

Canadians are heavy film users. As a result, Canadian film markets - theatrical, television and educational - generate high per capita revenues which now provide the United States with their primary foreign film earnings. If it is to reflect and reinforce Canada's cultural realities, the Canadian film production industry requires reasonable access to, and a decent financial return from these domestic markets. In the future this reliance will extend to subscription television, videocassettes, discs and satellite program services, as theatrical exhibition becomes but one - and not necessarily the most profitable - of a series of ways in which films are made available to the Canadian audience.

Film production increasingly feeds multiple delivery systems. It is a broadly co-operative endeavour, drawing on other cultural industries and creative talent of every kind. Particularly important to its success is the quality of writing and performing talent available. Development of a coherent film policy for the Eighties (and Nineties) demands then that we conceive of the film industry as a complex and culturally inter-connected whole.

Nothing is more important to this development than a clarification of policy objectives. Our view is that every policy initiative related to the film industry must be carefully designed to stimulate the production, distribution and exhibition of Canadian films rather than the making of films in Canada.

Profile

The fact that Canada has never been able to produce indigenous Canadian feature films and television drama on a commercial basis has been the Achilles heel of Canadian cultural development. For over sixty years Canadian cinemas have been organized as an incremental market for Hollywood movies. A 1976 study commissioned by the Department of the Secretary of State reported that, at that time, 93% of all Canadian theatrical distribution rentals were paid to seven Hollywood "major" studio/distributors.

Rather than confront or compete with this market control by the world's most powerful film industry, Canada retreated to the less profitable, and less potent, documentary form of production. The National Film Board was established in 1939, as part of the war effort, with a mandate to produce and distribute films "designed to interpret Canada to Canadians and to other nations." Via NFB shorts, Canada captured world renown (and several Oscars) in the documentary field and maintained, until recently, a marginal presence in its otherwise occupied movie theatres.

Despite attempts made in Quebec in the Forties and within the NFB in the Fifties, Canada made no planned move to establish its own feature film industry until 1968, when Parliament created the Canadian Film Development Corporation (CFDC) to foster and promote the development of a feature film industry by providing financial and other assistance to private sector producers of films "which have a significant Canadian creative, artistic and technical content."

Even as the CFDC was being established, the primary danger it would face was clearly identified. Speaking in the House of Commons debate on the CFDC bill, J.W. Pickersgill warned, "We have to be careful that we don't wind up making American movies in Canada and paying for the privilege."

Canadian Film Development Corporation

The CFDC represented the first attempt by the Canadian Government not only to create an indigenous feature film industry, but to achieve policy objectives in the area of film production by means of the private sector.

In its first ten years of operation, the CFDC took a three-film-per-year business with an annual dollar volume under half a million and transformed it into an industry producing 35 films annually with average budgets in excess of half a million dollars, and total budgets of \$19million. Because the Corporation operated without clear Canadian content guidelines, it was frequently sidetracked by investment in films with little or no relevance to Canada. At the same time, the CFDC was instrumental in the consistent production of now classic Canadian films ("Goin' Down the Road", "Duddy Kravitz", "Why Shoot the Teacher?", "Who Has Seen the Wind", "The Rowdyman") which entered the national imagination and laid the groundwork for a Canadian film culture that earned significant international respect.

What the CFDC did not succeed in establishing, prior to 1978, was a stable industrial base or effective distribution for Canadian films.

In its first ten years of operation, the CFDC provided primarily equity financing of \$26million to some two hundred feature films with budgets totalling \$60million. Returns on that investment - \$5million, or 20% - reflected the fundamental problem of the young industry: effective exclusion from its own market by both the foreign-owned theatre chains and the vertically-integrated television networks.

Distribution

Less than 2% of Canadian theatres' screen time and box office revenues went to Canadian films during the CFDC's early years. While this figure increased to 3.4% by 1978, cost recovery in the domestic market was rarely achieved by Canadian films. According to a report commissioned by the Department of the Secretary of State, average feature film budgets in 1977 were \$697,000, while average theatrical earnings were \$600,000. Since a film must earn five to six times its budget at the box office in order to recover its costs, Canadian features - with some rare exceptions - did not break even in the domestic market.

Attempts at recourse in the U.S. market were generally futile. Three percent of the limited revenue of Canadian films was earned in foreign markets in 1968. While this figure climbed steadily throughout the Seventies, significant financial returns from foreign sales remained the exception for Canadian films, and the rare exception for French language films which accounted for less than 5% of the total foreign earnings of Canadian features.

Canadian television networks, no less than Canadian theatres (and CBC no less than CTV) ignored the fledgling industry. Fewer than 20% of the first ten years' productions were sold to domestic television, and fewer still of these films were aired. In 1974, the Council of Canadian Filmmakers, appearing before the CRTC Hearing on CBC's licence renewal, charged that CBLT in Toronto had devoted 0.001% of its movie air time to Canadian films in the preceeding year. During this period, U.S. television sales were negligible.

Private investors showed scant interest in movies which had such limited distribution possibilities. Average budgets therefore remained low: \$140,000 in 1968, rising to \$697,000 over the next decade. CFDC participation, as a percentage of budget, remained high, reaching a peak of 38% in English films in 1974, and 56% in French productions in 1976.

The Quebec industry

It should be noted that there were significant differences in the development of the Quebec and English Canadian feature industries through the Seventies. While the ratio of English/French production was, on the average, 60/40, the budgets of English films were, on the average, four times higher than those of French films.

The Quebec industry, to a greater extent than the English industry, relied on a high level of public subsidy. In addition to the average 50% equity financing provided by the CFDC, Quebec's filmmakers were funded by the pre-purchasing policies of both Radio-Québec and Radio-Canada which, unlike CBC-ESD and TVO, bought the majority of the domestic product. By the mid-Seventies, these sources were augmented by the provincial government's

Institut Québécois du Cinéma. Combined, these institutions made it possible to raise the majority of Quebec's traditionally low film budgets from public sources. The balance was often provided by Quebec exhibitors/distributors who invested more heavily than their English counterparts due to their more frequent vertical integration with production.

Using these funding sources, the Quebec industry has consistently outdone the English in producing films relevant to its own audience and, from 1972 to 1974, that industry surpassed the English in quantity of production, actually reversing the 60/40 ratio. Perhaps because of their greater relevance, Quebec films have outperformed English at the box office. Despite their low budgets and the small Quebec market, French language feature films earned 43% of total Canadian theatrical earnings in the domestic market during the mid-Seventies, and set box office records in Quebec with films such as the now legendary "Deux femmes en or". Many Quebec films recovered their limited costs in the Quebec market during this period.

The private industry

Quebec's success in the mid-Seventies notwithstanding, feature films remained a relatively minor part of the private film production industry in Canada, accounting for only 6.4% of total revenues. Largely because it lacked a strong feature film component, that industry itself accounted for only one-third of all Canadian film expenditures up to 1978. The public sector, which remains today the major component in a \$600million-plus Canadian production industry, consists primarily of CBC, NFB, and provincial government production.

Television commercials, educational, industrial and independent television films were in 1979 approximately equivalent to feature films in generating private industry revenues. With the exception of television commercials, producers in the private sector face market conditions which are little more receptive than those for feature films. The competition from low price, high cost American product is similar in both markets, and television's exclusion of independents extends to all types of production.

Throughout the Seventies, both private and public television networks in English Canada spent less than 2% of their program budgets on independently-produced Canadian material. According to a recent study by the Canadian Film and Television Association, the CBC is still providing only 26.8% of total budgets for the independent production it does purchase. Because the networks' reluctance to purchase from independent sources is a function of their in-house production plants, the exclusion is not restricted to the private sector. National Film Board production, which is second only to CBC as a "bank" of quality Canadian films, has been traditionally ignored, even by the CBC. It now appears that the marginal use of both NFB and private outside production will continue on the new CBC-2/Télé-2 network, despite CBC's commitment to correct their omission within the CBC-2 schedule, and despite CROP public opinion polls showing 61% of Canadians would like an entire channel devoted to NFB production.

Educational markets in Canada have been similarly non-receptive to both private and NFB production. A 1975 study by the National Film Board established that use/purchase ratios of Canadian films by Canadian schools were negatively correlated. Two-thirds of films used by teachers were found to be Canadian, but two-thirds of films purchased by school boards were found to be foreign.

Voluntary quota agreements

In 1974 the CFDC moved to circumvent the distribution bottleneck and broaden the revenue base for Canadian movies through two measures: voluntary quota agreements with the theatrical chains, and official co-productions with European countries.

The unwritten quota agreements, negotiated through the federal government with Famous Players and Odeon in 1974, and renegotiated (on paper) in 1976, called for the exhibition of Canadian films for a four week period in each of 357 cinemas owned by the two chains, and an annual investment of \$1.5 million in Canadian films. While Famous Players fulfilled approximately half the required quota from its inception, Odeon made no serious commitment to Canadian films until its sale to Canadian interests in 1976, when it withdrew from the arrangement altogether.

Not surprisingly, these agreements had little discernible impact on Canadian distribution in the domestic market. A 1979 report issued by the Department of the Secretary of State notes a 35% increase in average theatrical revenues of Canadian films during the first three years of the voluntary program. However, the report indicated that the 100% Capital Cost Allowance probably contributed more to the increase than did the voluntary agreements. A 1977 attempt by the Secretary of State to legislate a mandatory levy, with built-in quota incentive, was defeated in Cabinet.

International co-productions

The second survival strategy of the CFDC was negotiation of official co-production treaties with Italy, France and the United Kingdom, and activation of an existing treaty with West Germany. These treaties have generated more than 40 productions - 20 prior to 1976 - with total budgets in excess of \$60 million.

Since co-production activity coincided with the introduction of the 100% Capital Cost Allowance, and co-produced films were awarded automatic eligibility for such Allowance, the specifics of their performance are presented under the analysis of the CCA which follows. It is sufficient to note here that films produced under official co-production treaties were, on average, culturally unproductive, had disproportionately low levels of Canadian creative participation versus financial participation, and were assessed as providing no net benefit to the industry in a 1980 report published by the Council of Canadian Filmmakers.

Capital Cost Allowance

The single most significant factor in the growth of the Canadian feature film industry - arguably more effective than the creation of the CFDC and unquestionably more effective than voluntary quotas and co-productions - was the 1974 amendment of the Income Tax Act authorizing an increase from 60% to 100% Capital Cost Allowance for investors in certified Canadian feature films. This tax shelter was extended in 1976 to include short films and

videotape productions, and the allowance for non-certified films reduced from 60% to 30% as a disincentive to Canadian investment in foreign films, and an incentive to increased private sector involvement in the Canadian industry.

To appreciate the full impact of the 100% Capital Cost Allowance on the feature film industry, it is important to understand that eighty percent of all Canadian feature films produced since its introduction have been financed through it, and eighty percent of all films financed through it have been produced since 1978.

The "boom" period of the last three years has seen the production of close to one-third (132 of 466) of all feature films Canada has produced. During this period, CCA financing has instigated a quantum leap in both the number of films produced and their average budgets, which has pushed the annual dollar volume of the industry beyond its combined volume for the preceeding ten years.

Since 1978, a total of 132 feature films- English, French and co-productions- has been produced with CCA financing. Their combined budgets total approximately \$390million, of which less than \$10million (3%) was invested in French productions, although these films represented 15% of the total produced. The average budget for English films and co-productions using the Allowance was \$3.5million, while the average budget for French films produced under the CCA remained below \$500,000.

The total number of films produced went from 24 in 1978, to a peak of 58 in 1979, and 50 in 1980. The total annual dollar volume of the industry went from \$19million in 1977 to \$60million in 1978, to \$165million in 1979, and the same level is projected for 1980. Average budgets in English Canada increased accordingly: \$526,000 in 1977, \$1.9million in 1978, \$3.25million in 1979, and \$3.3million in 1980.

Thirteen co-productions were made with CCA financing during 1978 and 1979: six in 1978, seven in 1979. These films had the highest average budgets (\$4.3 million), the highest average CFDC participation (\$300,000) in absolute

terms though not as a percentage of total budget, the highest U.S. distribution, and the lowest average Canadian creative participation (32%) despite a 43% average level of Canadian financial participation.

The pattern of CCA production indicates a consistent correlation between language of production/budget size and public offerings, foreign participation, and distribution.

The take-off point for the Capital Cost Allowance was its sanctioning by provincial Securities Commissions. The ability to raise funds by means of public offerings was instrumental in launching the 1978 "boom", and in the over-inflation of budgets which has been common in the English industry for three years.

Because it is not considered practical to raise public share capital for ventures below \$2million, public offerings have encouraged large budgets and have been utilized by most films in the \$2million-plus category. As a result, the majority of total CCA financing has been raised on the public market (\$113million of \$165million in 1979). Since public offerings necessitate interim financing, they increase overhead and financing charges - and total budgets - while decreasing funds available for actual production. In 1968, financing and overhead costs accounted for an average 4.8% of Canadian feature film budgets; in 1978, these charges took up 20.04%, rising to an average 25% in 1979. This increase is not applicable to French and low budget English productions which rarely issue public offerings.

There has been a similar correlation between budget size and foreign participation. Despite the CCA eligibility requirement that a certified film have a Canadian producer and that Canadians perform a minimum number of the key creative functions, an average of only 55% of executive producer/key creative functions in CCA English language films produced with budgets over \$1 million during the 1978-79 "boom" were performed by Canadians, and a full third of all English CCA films had foreign involvement at the executive producer level. There was no appreciable foreign participation in French films, nor in English films with budgets under \$1 million.

<u>Category</u>	<u>Average Budget</u>	<u>Percentage of Canadian participation in executive producer/ key creative roles</u>
Co-production	\$4.2 million	32% (Scripts - 0%)
English	Over \$5 million	55%
	\$3-\$5 million	64% (Second actor category - 0%)
	\$1-\$3 million	70.7%
	Under \$1 million	97.3%
French	\$0.4 million	98.9%

As budgets increased, funding reliance shifted to individual private investors. In response to their real or presumed demand for "stars" to secure investment, producers directed top performers' roles and fees almost exclusively to foreign and expatriate Canadian talent. Fees paid to attract these performers have simultaneously increased total budgets and decreased the proportion of budgets paid to resident Canadian performers. As budgets increased, so did the need to secure foreign distribution and "internationalize" production, so strengthening the "big name" syndrome.

Until 1980, there was little direct involvement in CCA-financed films by foreign production companies. However, there was considerable direct and indirect involvement by Hollywood producers, sales agents, American networks and Home Box Office through executive producer roles and conditional pre-purchasing by sales agents and U.S. television, which was contingent upon control of scripts, directors and casting. These influences combined with pressures from investors to discourage key creative involvement by Canadians. Canadians have been conspicuous by their absence in script and lead performer roles and, increasingly, in the director's role. The Directors' Guild of Canada reports that Canadian directors were employed in only 66% of films produced in 1980, and a further drop to 50% is anticipated for 1981 as the proportion of pre-packaged American made-for-TV projects financed by the CCA increases.

Corresponding to the production boom in English Canada has been a marked increase in both domestic and foreign distribution of Canadian feature films, the latter directly correlated to budget size and language of production.

<u>1978 and 1979</u>				
	<u>Domestic television</u>	<u>Domestic theatrical</u>	<u>U.S. television</u>	<u>U.S. theatrical</u>
Co-production)	76.9%))
)24.8%)37.3%)38.7%
English production)	55.0%))
French production	66.0%	66.0%	0%	11%

Approximately 40% of films in all categories achieved world sales.

Statistics on market share and gross earnings are not yet available for this period. Whether these films can earn the \$2.4 billion required to recover costs from the box office on the almost \$400 million invested in the period described above, and in 1980 production, remains to be seen. The fact that television sales are relatively strong for the big budget films, and the ratio of return from television is more favourable than the six-to-one theatrical rate, will improve the odds to a certain extent.

The declining national character of these films as opposed to the more identifiably Canadian product turned out prior to 1978 may also enhance their U.S. earning power, as it has their U.S. distribution. The shift in reliance from domestic to foreign markets, in terms of revenue, has been a major factor in the denationalization of Canadian feature films.

As a percentage of total earnings, domestic revenues declined during the last decade and were supplanted by proceeds from foreign, primarily American, markets as the major revenue source for English Canadian feature films. In 1968, foreign revenues provided 3% of total earnings; ten years later that figure had risen to 50% and can be assumed to be considerably higher today, given the comparable levels of domestic/foreign distribution and the discrepancy between the two markets in terms of payment scales.

American networks and pay TV distributors are now offering approximately ten times the \$100,000 to \$150,000 the Canadian Broadcasting Corporation is accustomed to paying Canadian feature film producers. While the CBC has raised its fees in response, they are still not comparable. More important, while Radio-Canada is supplying backbone support for the Quebec film industry, the CBC's English Services Division continues to refuse, as a matter of policy, to make pre-production purchases of features although, according to a study done by the Canadian Film and Television Association, it did pre-buy \$4.7 million worth of non-features in 1979, as well as \$1.2 million post-production.

The importance of the purchasing policies of the public broadcasting system to the Canadian feature film industry should not be overlooked. By following a cautious policy the CBC reinforces the pressures on Canadian producers to tailor their films for the so-called "international" market, thus making it even more difficult for those producers who want to concentrate on Canadian films to find a minimum domestic base market for their works.

These are not the only pressures on Canadian producers that work against their producing Canadian films. There has been a shortage of films in the United States in the last year, aggravated by U.S. deregulation policies and the talent strike in the early part of 1980. Increasingly American distributors, and particularly pay TV distributors, have been turning to Canada for product.

Not only have they found that the Canadian product has some useful advantages, such as its built-in public subsidy, but they have found it relatively easy to gain significant control of the Canadian films because of the way the deals are being structured. In many cases the deals made represent pre-sales, useful to a producer because they help to secure the Canadian finance he needs to get into production. But pre-sales are usually conditional on a number of things, control of the script, of the principal performers, and the director being among them. Such offers may also be conditional on the producer getting a major U.S. theatrical distributor to handle his film in the United States.

The results of all this can be clearly seen in the kinds of films that have been produced.

Because the producer has been forced to bypass his first, domestic market to secure his pay TV deal, he ends up effectively forfeiting control of his film as he faces increased (and sometimes irresistible) pressure to use foreign stars, and finds himself directly fashioning his "Canadian" film (which is being largely paid for by Canadian investors getting a healthy Canadian tax advantage) primarily for foreign markets and foreign audiences.

As budget size increased in response to available financing resulting from the CCA, a number of shifts occurred in the funding patterns of the Canadian feature film industry.

The volume of French production, which surpassed English between 1972 and 1974, declined in relative terms to less than 20% of total production, and one-seventh of the average budget of English films. Because French language films did not gain U.S. distribution, they attracted few CCA investors. Only a small proportion of total French production has been CCA-financed, as opposed to over 80% of total English production. As a result, less than 3% of total CCA-generated funds went to support French language production. Two-thirds of the total budgets (\$3.75 million during 1978 and 1979) of its CCA-financed French films came from public sources, \$1 million from each of the CFDC and the Institut Québécois.

At the same time, English feature films have used the CCA to shift their funding base away from the public sector to the private sector. Whereas 38% of total English feature budgets was provided by the CFDC in 1974 when the CCA was instituted, only 6.75% of total budgets was provided by the CFDC after 1979. This drop reflects both an absolute and relative decrease in CFDC investments. As film budgets increased ten-fold, CFDC budgets remained relatively constant, and therefore declined as a percentage of total funding. At the same time, new CFDC policies shifted from equity investment to revolving interim loans in English productions to complement the shift to public offerings in this section. By loaning interim funds which were repaid from the proceeds of the public offering, the CFDC was able to recycle funds and functionally triple its participation without increasing the total dollars at its disposal. Equity financing remained the primary CFDC participation in French language films.

As CFDC investment declined as a percentage of total budgets, private investment increased to 71% in 1977, and to over 90% during the post-1978 "boom".

As a result of the CCA, and the CFDC's corresponding policies, direct funding reliance on, and influence over, production shifted from the public sector (CFDC) to the private sector (CCA), although CCA funding represented forfeited tax revenue. Thus, indirectly, public funds actually increased dramatically while public sector influence over production declined.

One of the small but telling ironies of the feature film "boom" is that Canada, with its \$165million-a-year industry, had to turn to the relatively under-financed French language industry for two of the three films chosen to represent the country at Cannes in 1980. Because French feature film budgets have not been inflated, and foreign involvement has been nil, these films have retained the cultural integrity their English counterparts have forfeited. As a further irony, the low budgets of French films may permit the cost recovery which is likely to elude English productions.

Conclusions

Capital Cost Allowance is a manipulation of the tax system which artificially reduces risk-to-reward ratios for private investors as a means of achieving public objectives. Authorization of its use at the 100% level is the most powerful tool ever placed at the disposal of a cultural industry.

In putting the support of the 100% CCA behind the film industry, Parliament's fundamental objective was to increase the permanent strength and capacity of the production industry in order that it could provide competitive Canadian alternatives to the overwhelmingly American presence on the movie and television screens of this country. Parliament's long-standing concern that Canada relies almost exclusively on importing, rather than producing, the most potent form of popular culture has, no doubt, been reinforced by the advent of non-regulated delivery technologies.

Largely because the CCA has been misinterpreted as an industrial, rather than a cultural incentive, it has served to develop an export-oriented branch plant industry which is counter-productive in terms of the purposes for which it was established.

The fact that the CCA has been misused within the feature film industry does not alter its potential power in developing our indigenous industry. We believe that it is essential that the Allowance be retained. We also realize that its continued operation cannot be justified unless it is realigned with its basic cultural objectives.

The current regulations governing eligibility for the Capital Cost Allowance contain enough loopholes and exceptions that their intent can be readily bypassed or ignored. The opportunities which present themselves have led more than one major producer to acknowledge that more creative energy is directed to evasion of the regulations on paper, than to realization of their intent on the screen.

While attempts are now being made to tighten the regulations, eliminate some of the loopholes, and strengthen the administration of the program, this fine tuning - subject as it is to intense pressure from those currently benefitting from loose, imprecise rules - will not correct what can now be seen as major flaws in the approach taken.

Two serious mistakes were made:

- 1) The cultural objectives were not stipulated as guidelines to all concerned, including those charged with administering the incentive.
- 2) The incentive offered comes at the wrong point in the production/distribution process and has resulted in major distortions of the basic objective.

Specifically, the present provisions have encouraged a production process that tends to maximize the pre-distribution return to producers, financiers, and certain other non-production elements, in a manner basically unrelated to the

economic and artistic validity of the production itself. Since the incentive is to the investor, a maximum effort has gone into constructing "deals" that will attract investors, with a minimum concern being directed to the practicality or value of the product itself.

In a typical case a producer and his associated broker develop a project which will a) attract investors, b) encourage pre-sales, c) maximize the pre-distribution return to the producer and broker. This has more often than not resulted in a project that is typified by a large budget, a very substantial portion of which is siphoned off in brokers' and financing fees, and by producers relying on their pre-distribution payments for their basic return. The cumulative effect of this pre-distribution drain on the production is to grossly inflate budgets, thus making it harder and harder for the project to a) find effective distribution, and b) ever hope to return its costs and pay its investors.

Inflated budgets, a reliance on foreign packagers and distributors, and the virtual control of script and casting that has been passed to foreign elements in the process, have had a number of effects:

- 1) There is little or no permanent build-up of the Canadian production industry. There has to date been no significant use (or, more seriously, development) of Canadian talent, including writers, new directors, and potential leading players. Figures which suggest that Canadians are deeply involved in present production are illusory, and mainly reflect the use of technical crews, technical facilities, and various support services. While these are essential, they do not (and never can) represent the development of a permanently healthy Canadian production industry, which completely depends on the involvement of Canadian creative and entrepreneurial talent.
- 2) Indigenous 'Canadian' projects have almost no chance of being accepted. This has been most noticeable in French-language production, which points up one of the many failures of the program to achieve the cultural objectives that are its *raison d'être*. Since the cultural objectives of the Capital Cost Allowance are more important in the long run than the industrial objectives, the failure is a critical one.
- 3) The requirement to seriously assess the market, and to develop films that will serve it, is not uppermost in the minds of the producer.

- 4) Those who do have entrepreneurial and producer skills are not particularly attracted to feature film production, other than as a way to maximize quick returns in a situation which all are agreed must collapse of its own inherent inconsistencies.
- 5) There has been too little functional Canadian control of production, which has impaired the Canadian character of the resulting films.
- 6) There has been a disproportionate reliance on foreign markets as major revenue sources.
- 7) There has been a net decrease in the availability to Canadian audiences of recognizably Canadian films.
- 8) There has been a relative decline in French language production.

The lesson of the last three years is clear: financial incentives for production in this or any other cultural industry can provide no real benefit to the Canadian public - can even be contrary to the public interest - unless they are securely linked to cultural objectives, and to a resolution of Canada's traditional tendency to rent out its main distribution arenas.

If the CCA continues on its present course, it is unlikely to survive. If it does survive, J.W. Pickersgill's premonition will come true with a vengeance, as Canadian tax dollars and limited resources are drained into manufacturing films under licence to feed the American product shortage.

The price of taking this route will be more than monetary. Calculated into the equation must be the complete frustration of any hope we might have of maintaining a competitive Canadian presence on our own screens or supporting, rather than exporting, our resident creators in film, the performing arts, and allied areas.

The issue for the Canadian feature film industry is no longer the level of production. It is, rather, the nationality of production which is a function of its distribution. The market which pays the bills will be the market addressed. As long as Canadian producers receive their primary revenues from the U.S., they will produce films which bypass the domestic market in content, and in actual distribution in some cases. Their product will be, as that of the private Canadian broadcasters, increasingly indistinguishable from its American equivalent.

While there can be no point in making films which are not seen, as Canada did until 1978, there is less point in making at public expense Canadian films which are seen but not recognized as such. Under the influence of the CCA, the Canadian feature film industry has moved from being under-financed and under-distributed but culturally productive, to being over-financed, improperly distributed, and culturally irrelevant. Feature films, and to a lesser extent our educational and television production, are aimed at another country whose products have expelled it from its home ground. Our cinemas, schools, and television screens are poorer for it.

The CFDC has acknowledged the misdirection of the industry in its 1978-1979 Annual Report:

Parliament established the CFDC to assist in the creation and promotion of a Canadian feature film industry as an instrument of the cultural life of our country. During 1978, the Board of Directors of the Corporation, and its new management, recognized the need for new policies and a new strategy if Parliament's objective was to be achieved.

More recently, the new management of the CFDC has announced that it will be assessing film proposals on the basis of their potential contribution to Canadian cultural life and the development of the industry, as well as on their individual merits. Specifically, the Corporation has announced that it will no longer invest in the development of scripts written by a non-Canadian, in films which unnecessarily disguise their Canadian location, or in films which do not have at least one Canadian leading performer.

Since the appetite of the new delivery modes will almost certainly overcome the capacity of public production funding, the Capital Cost Allowance stimulation of private investment will be vital to our production capability. Unless the CCA is restructured to reward use of Canadian talent, and performance in the domestic market, it will continue as mere subsidization of the American industry, or it will be removed. In neither case will it benefit domestic production or resident talent.

If the CCA is to become functional, it will require two things:

- 1) restructuring of existing domestic markets and parallel incentives for the inclusion and payment of domestic production. We note in this regard that recent CROP surveys show a majority of Canadians (60%) favours a Canadian film quota, and close to a majority (45%) favours imposition of a box office tax to support Canadian production;
- 2) structuring of new television-related markets from the outset to do the above. This applies particularly to pay TV and other satellite program services.

The central issue of domestic distribution, as with production, tends to be misidentified. It is not the size of our domestic market, but rather the size of our share in that market that matters. Canada's theatrical market is one of the richest in the world: we are Hollywood's number one foreign customer. Our television industry has a combined public/private revenue in excess of \$1.5billion annually.

Our educational markets are similarly a major source of U.S. film revenue. Were these markets using and paying for a reasonable percentage of domestic production, they would be fully capable of supporting the \$600-700million of production annually undertaken in Canada. Because they are excluding domestic production, particularly independent production, to a greater extent than other Canadian cultural markets (3.4% of the market, as compared to 20% for records, 28% for books, 23% for magazines, and an ostensible 60% for television), they are incapable of supporting an effective level of genuine Canadian production. This is today, as it has always been, the central issue of the Canadian film industry.

Recommendations

Federal agencies

In both English and French Canada, production of films which reinforce the Canadian identities will continue to rely on the support of government policies and funding. We, therefore, recommend:

1. That the federal government continue to provide substantial financial support for film production through the federal agencies (NFB, CFDC, CBC) and the Canada Council.
2. That the federal government ensure that the operation of these agencies is co-ordinated and mutually supportive, in order to maximize their effectiveness in respect of both production and distribution.
3. That the federal government acknowledge the dominant role of film production in determining Canada's cultural vitality by increasing the annual appropriation of these agencies, as well as the federal funding provided the Canada Council.
4. That the federal government encourage the Canadian Film Development Corporation to:
 - a) restrict its participation to those films which have demonstrable Canadian creative and financial control;
 - b) increase its equity investment (now reserved primarily for French language films) in English language productions of particular cultural significance;
 - c) invest in films made for Canadian television through both the private sector and government agencies;
 - d) co-produce annually with the CBC and/or the NFB, a small number of 100% Canadian feature films for television and/or theatrical release;
 - e) extend its involvement in script development, and in the distribution of films in which it participates;
5. That the federal government encourage the Canadian Broadcasting Corporation to recognize its special responsibilities in assuring public access to the productions of the NFB and the CFDC by undertaking an expanded, and more co-operative role in the television release of these films. Since Radio-Canada is already serving such a function, we would recommend specifically that:
 - a) CBC-ESD, as well as CBC-2/Télé-2 co-produce and pre-purchase, as well as buy television rights to a minimum number of Canadian feature films annually, at rates which are comparable to those offered by American networks and pay television services.
 - b) CBC-2/Télé-2 provide a dedicated time slot for programming by the NFB.
6. That the federal government encourage the National Film Board to build on its excellent record in feature film production by co-producing, with public and/or private partners, a minimum of one fully Canadian feature film in each language annually.

7. That the federal government encourage the Canada Council to increase the proportion of its total funding allocated to the support of filmmakers and filmmakers' support organizations.
8. That the federal government encourage the agencies to increase the number of their productions which are dubbed (in Canada) into the other official language.
9. That the federal government provide a bonus increase in the annual appropriation of the CFDC indexed to the proportion of return from its film investments which has been earned in the domestic market.
10. That the federal government discuss with the CRTC the possibility of:
 - a) requiring all Canadian television networks to allocate 10% of their movie schedules to Canadian films, on the basis of recent CROP surveys which indicate that a majority (65%) of the Canadian public would support such a requirement;
 - b) requiring the networks to commission a minimum 10% (higher for CBC) of their schedules from independent producers;
 - c) ensuring that no new television services are established on the basis of in-house plant capacities, because of the prejudicial effect such vertical integration has had on the independent production industry;
 - d) ensuring that new satellite/cable-delivered services are financially structured to assume Canadian content, support its production, and pay for all programming carried.

Capital Cost Allowance

1. Because of the powerful potential of the 100% Capital Cost Allowance for developing the Canadian production industry, it is essential that its operation be aligned with the cultural purposes for which it was established. We recommend that the regulations of the Income Tax Act respecting the Capital Cost Allowance for investors in Canadian films be amended to ensure that its use is restricted to those productions which are financially and creatively controlled by Canadians.
2. For purposes of CCA certification we specifically recommend that it be mandatory that:
 - a) the production company, and its parent, be beneficially owned and controlled by Canadians;
 - b) individuals performing producer, executive producer, and producer-related functions be Canadian;
 - c) the director and/or scriptwriter, and one of the two performers receiving highest remuneration and screen credit, be Canadian;

- d) no points be awarded in categories in which there is any non-Canadian participation;
 - e) a "Canadian" be defined as a Canadian citizen, or a permanent resident with minimum one year residency.
3. We also recommend that automatic CCA qualification for films produced under official co-production treaties should be terminated, and the treaties themselves should be renegotiated or terminated.

Distribution

Since the long-term viability of the 100% CCA, and the Canadian production industry is contingent on effective domestic distribution, we recommend:

1. That market mechanisms be established to parallel the financing mechanism of the CCA;
2. That the federal government place a levy on the annual quarter billion dollar Canadian box office revenues of foreign films to be dedicated to support of identifiably Canadian production, as is the practice in most film-producing nations outside the U.S. Such a mechanism could be applied either in the form of an increased withholding tax on the export of foreign distribution revenues, or in the form of a dedicated box-office tax.
3. That as an incentive for the exhibition of Canadian films, theatrical exhibitors receive a reduction in the amount of the levy and/or corporate taxes paid, based on bookings of Canadian films in excess of a required minimum.
4. That revenues earned on an investment in a 100% Canadian film, be taxed at a preferential rate, and revenues in excess of 300% of investment be tax free.
5. That producers of films financed under the CCA be required to:
 - a) assign Canadian distribution rights to a Canadian company;
 - b) sell domestic and U.S. theatrical, television, and pay television rights independently;
 - c) assign Canadian pay television rights to a Canadian pay television service, should such a service be established;
 - d) reject any distribution or pre-sale agreement with a domestic, foreign, or foreign-owned distributor which requires limiting or removing the producer's control of script approval, and selection of the film's director and principal performers.

Provincial Governments

Education and regulation of theatres fall under provincial jurisdiction. As a result, the co-operation of provincial governments is essential in certain critical areas of film production and distribution. We recommend that the federal government:

1. undertake negotiations with the provinces to:
 - a) replace the dysfunctional voluntary agreements with legislated quotas for the exhibition of Canadian films, a measure which is supported by a majority of Canadians according to recent CROP public opinion surveys;
 - b) institute a quota for Canadian short films.
2. undertake discussions with the Council of Provincial Ministers of Education with regard to:
 - a) reorganizing school purchasing of Canadian films (from the NFB and independent sources) on a basis which more accurately reflects school use ratios;
 - b) re-instituting NFB production of curriculum films designed to meet the specific needs of Canadian schools.

The cultural industries: Book publishing

Scope

This section outlines and analyzes some of the major issues affecting the publishing of books by Canadian writers and the development of the Canadian-owned and controlled book publishing and distribution industry.

Profile

Over the past decade the Canadian market for books has grown rapidly, paralleling the expansion that occurred during this period in the major European countries and in the United States. In most Western countries, this general trend in the 1970s produced significantly strengthened national book publishing industries. The anticipated strengthening of the domestic industry did not, however, occur in Canada. Instead, the seventies saw a consolidation of the dominant position of foreign book publishers and distributors in the Canadian marketplace, accompanied by growing financial difficulties which affected most major Canadian-controlled book publishing companies.

These problems in the development of French and English language publishing industries in Canada have persisted in spite of growing public interest in the work of Canada's own writers, and despite the sustained and vigorous efforts of the Canadian publishers, writers, and book industry organizations to define their problems clearly and to argue forcefully for policies which would overcome the basic structural and economic problems they face.

According to Statistics Canada, the combined revenue from sales in the Canadian market of publishers based in Canada and of foreign-based publishers and distributors who sell directly to Canadian customers was \$685 million in 1978. Of this total domestic market, publishers in Canada (both Canadian and foreign-controlled) accounted for sales of \$457 million while an additional \$228 million was spent to purchase books directly from sources outside

Canada. The sale of English language books accounted for 84% of total revenue; French language books for 13%; and books in other languages for 3%.

Imported books accounted for total revenue in 1978 of \$495.5 million or 72% of the total. As already noted, \$228 million of this expenditure went directly to suppliers outside Canada, with the remaining \$268.5 million going to Canadian-based companies.

The remaining 28% of book sales in the Canadian market in 1978, or \$188.5 million in revenue, was derived from the sale of books produced by publishers in Canada. This category included Canadian printings of foreign-authored books, adaptations of foreign-authored books and original works by Canadian authors. Statistics Canada data indicate that in 1978, original works by Canadian authors accounted for approximately 17% of total sales, or \$114 million; adaptations accounted for about 6.5% of sales, or \$44 million; and foreign books produced in Canada accounted for about 4.5% of sales or \$30.5 million.

The importation of foreign books is usually handled on the basis of an assignment of Canadian marketing rights to a company in Canada. The amount of capital required to finance this importing activity is small when compared with the cost of originating books in Canada and the risks are relatively slight. The importer has only to bring into Canada enough copies of the foreign print run to meet Canadian demand, while the originating publisher must cover all editorial, design, typesetting, and other costs and run the risk of financing a full print run. Of Canada's total imports worth \$496.5 million, 76% come from the United States, 10% from France, and 8% from the United Kingdom.

With the exception of those imported books which are supplied directly from foreign sources, most major publishing firms outside Canada now sell their foreign-produced books into the Canadian market through subsidiary companies here. Foreign-controlled subsidiaries accounted for 75% of the English language sector of the industry's Canadian sales in 1978. In the French language sector, the level of foreign control is much lower, reflecting both the smaller size of the French language Canadian market which, until recently, made it less attractive to foreign publishers, and the fact that the policies of

the Government of Quebec favour in a significant way domestically-controlled companies. However, as the 1978 Quebec white paper on cultural policy notes, foreign firms became much more active in the French language market in the 1970s.

Most of the publishing of original Canadian-authored books that has been done by the foreign-owned firms has been in the textbook market. Most of these titles are produced to meet specific curriculum requirements established by educational authorities in the provincial governments.

The 1973 Ontario Royal Commission Report on Book Publishing reached the conclusion that even in Ontario, which has a formal policy that books approved for use as school texts should be written by Canadians, "the de facto displacement of Canadian textbooks by foreign learning materials of every kind has been proceeding apace." Therefore, while in the past the elementary and high school market was one for which any company operating in Canada had to become involved extensively in publishing books by Canadian authors, the effective pressure to do so appears to have declined.

While foreign-controlled firms account for 75% of the book publishing industry's sales, they have made a relatively small contribution to producing books by Canadian authors for the general public. For example, the foreign-controlled firms over the past five years produced just 16% of Canadian-authored works of fiction, 4% of Canadian poetry, 8% of the books on Canadian history, 19% of books on Canadian politics and sociology, and 25% of Canadian books for children. To put the point another way, Canadian-owned and controlled companies over the past five years produced 84% of Canadian fiction, 96% of poetry, 92% of books on Canadian history, 81% of books on Canadian politics and sociology, and 75% of Canadian books for children.

The present situation in the book publishing industry is particularly alarming because of the very weak financial position of the Canadian-controlled companies which produce most of the books by Canadian authors. The Canadian-controlled sector of the industry has been losing ground in the Canadian market over the last two decades despite substantial direct government subsidy in the 1970s. This decline in their share of the

Canadian market and their present financial difficulty does not reflect declining sales of Canadian-authored books to the general public. Rather, it reflects primarily the fact that over the last 20 years Canadian-controlled firms have lost most of their importing business. Foreign publishers who had previously sold their books through a Canadian agent in Canada began instead to set-up their own directly controlled subsidiaries here.

A great many of the Canadian branches of foreign-controlled book publishing companies set-up over the past 20 years are major textbook publishers. Since they have access to the texts of their parent firm and are able to adapt such texts for use in Canada as well as to initiate Canadian texts, such firms have a substantial competitive advantage over most of the Canadian companies. The presence of these subsidiaries, combined with other significant changes in policy in the educational system in Canada, has resulted in a steady decline in the involvement of Canadian-controlled companies in producing books for use in Canadian schools.

Increasingly, the activities of the Canadian-controlled companies are concentrated in the highest risk area of publishing activity: the publishing of books by Canadian authors for the general public. This is also the sector of the market in which there are the most serious structural problems, including the weakness of Canadian book clubs, the rapidly increasing dominance of the retail bookstore business by very large chain stores, limited mass market paperback publishing of books by Canadian authors, limited subsidiary rights markets in television and film of books by Canadian authors, and the weakness of the wholesale distribution structure in Canada.

A recent report of the English language book publishing industry association notes that by many important standards, the Canadian book publishing industry has been a remarkable success. Book publishing companies exist in every province and their products satisfy a very wide range of interests. An impressive level of expertise has been developed and, by contrast with almost any other Canadian industry, the commitment to developing new products, in this case to publishing new books by Canadian writers, has been exceptionally high.

When they are readily available, Canadian books find enthusiastic audiences. A new novel by an established Canadian writer, for example, will usually substantially outsell in Canada a new novel by a comparable established foreign novelist. Similarly, books on Canadian politics and politicians, or on Canadian history, are almost always many times more successful in Canada than comparable foreign publications. Other examples could be cited, but the critical fact is that this greater popularity of Canadian books with Canadian audiences does not mean that they are published profitably. Whereas an imported book with sales of only 1,000 copies can make a profit, a Canadian book can lose money with sales which are several times higher.

The Canadian-controlled sector of the book publishing industry is in very serious financial difficulty. The situation is particularly serious in the English language sector where Canadian companies are exposed to a greater extent to competition from foreign-controlled firms which have a substantial and stable economic base as importers. Statistics Canada figures for 1977 show that Canadian-controlled companies in the English language industry which produce educational books and books for the general public had aggregate losses of \$2.1 million before grant income, and total net income after grants of \$794,000. The foreign-controlled companies earned \$19.4 million in 1977. The 1980 report of the Association of Canadian Publishers concluded that "the ability of the industry to survive, much less to continue to play the vital cultural role it has played in the past ten years, is in question."

There are equally serious problems in French language publishing. Indeed, the publishing of French language books is inherently more difficult because of the limited domestic market in Canada. This problem is exacerbated in French as in English language book publishing by the weakness of the distribution system.

Unless the Government of Canada adopts substantial measures which will bring about an improvement in the structure and the financial and marketing strength of Canada's book publishing industry, all of the evidence indicates that the decline of the Canadian-controlled sector of the industry will continue, and that this decline will adversely affect the publication of books by Canadian writers and the expression of social and cultural identity in Canada.

Issues

Industry structure

The general issue of whether it is important for Canadians to have ultimate control over publishing decisions was addressed by the 1961 Federal Royal Commission on Publications. The Commission concluded that:

Canada's particular responsibility, her government, her constitutional structure, her ideals and aspirations, her memories and milestones, even her discords, are facts in her existence which cannot be approached understandingly or usefully by communications media owned and controlled in another country even though that country is friendly.

In connection with the book industry itself, this issue was also dealt with in the 1978 Quebec White Paper on Cultural Development and the Ontario Royal Commission Report on Book Publishing. The former document states that: "the book industries (publishing, distribution, sales) are a powerful force for the cultural expression of a community," and concludes that - "it is intolerable for any country, for any people or national group, that these should be in foreign hands."

The Ontario Royal Commission noted that "the dangers of foreign domination can be most easily seen in educational publishing although they could be pointed to in other areas as well," and went on to state that, "It hardly seems necessary to argue that the history of our own country and the world should be presented from a Canadian perspective." The Report also commented that certain kinds of books, including those on issues related to Canada's economic and cultural sovereignty, were unlikely ever to be published by firms whose ultimate responsibility was to foreign owners.

The Government of Canada has indicated that it shares this concern. In a March 1979 speech, then Secretary of State, John Roberts said:

We are convinced that it is not possible to bring about cultural development through the vehicle of Canadian books unless we have an industry of our own that can publish and distribute those books.

At that time, he stated, "The federal government's purpose is clear: the Canadian-controlled sector of the book publisher/agent industry should play a dominant role in both the English and French-language markets in Canada."

In a total domestic English language market of \$575 million in 1978, Canadian-controlled book publishing firms accounted for sales of just \$115 million or just 20% of total sales. While comparable information for French language Canadian-controlled publishers is not available, it is clear that their share of the domestic French language market is higher. However, financial information concerning French language companies indicates that without appropriate government policies, their position is not secure against increasing competition from foreign-controlled firms. Substantial measures will be necessary if progress is to be made toward the existing publicly stated objectives of the federal government.

An additional obstacle to the successful publishing of books by Canadian authors is the strong position of foreign book distributors servicing the Canadian market. Foreign library wholesalers, book clubs, and mass paperback publishers dominate the Canadian marketplace. The development of competing Canadian book distribution companies is a prerequisite to any real improvement in the position of Canadian books and Canadian-controlled publishers.

Production

It must be recognized that, for the foreseeable future, there will be many culturally important books whose publication requires direct subsidy. With appropriate structural changes in the industry, the proportion of Canadian-authored titles requiring subsidy assistance might be significantly reduced. It must also be recognized that direct federal support for the publishing of culturally important books has not kept pace with inflation. It most certainly has not kept pace with increases in book production costs over the past five years.

As already noted, the Canadian-controlled sector of the book publishing industry is experiencing serious financial difficulty. Its ability to continue to perform its cultural role is absolutely dependent in the present circumstances on a continuation of the present Federal Book Publishing Development Program.

In the longer term, when action has been taken to solve some of the basic structural problems of the industry, a federal tax policy initiative should be implemented which will provide an incentive to increased investment in the production of books by Canadian writers. At the present time, precisely the same tax treatment is applied to the book importer as to the publisher of original books despite the very substantial differences in the amount of capital required and the risks involved in the two activities. In this respect, federal tax legislation does not accord to the production of books by Canadian writers the importance it attaches to the development and production of other manufactured goods by Canadian companies.

Recommendations

1. That the Government of Canada act forcefully to achieve the objective it announced in 1979 that "the Canadian-controlled sector of the book publisher/agent industry should play a dominant role in both the English and French language markets in Canada;" that this objective be pursued using the powers of the Foreign Investment Review Agency and, if necessary, through separate legislative measures; and that, where necessary, loan capital assistance be provided to facilitate the acquisition of book publishing companies now under foreign control.
2. That the Government of Canada expand its concern over the control of the book industry, adopting as its objective the achieving by Canadian-controlled companies of a dominant position in every aspect of book distribution.
3. That the federal government give substantial support to the development by the book publishing industry of systems for the improvement of book ordering and distribution in Canada.
4. That the continuing need for federal programs of direct subsidy for the publication of Canadian books provided by the Canada Council, the Social Sciences and Humanities Research Council, and other bodies be recognized; that an immediate increase in the level of such assistance be provided which will at least reflect the extent of recent production cost increases; and that periodic reviews be conducted to ensure that the support provided reflects changing cultural needs and priorities throughout Canada.

5. That the federal government continue to operate its Book Publishing Development Program until there has been a substantial expansion and an improvement in the financial position and performance of the Canadian-controlled sector of the book publishing industry.
6. That loan capital assistance be provided through an appropriate agency of the federal government to permit the expansion of Canadian-controlled book publishing companies where such expansion will result in increased production of books by Canadian authors or improve the distribution structure for Canadian books.
7. That should the Book Publishing Development Program be phased out, it be replaced by an appropriate income tax incentive developed in consultation with the industry.
8. That all agencies of the federal government, including in particular the Canadian Broadcasting Corporation and the National Museums Corporation, adopt the current co-publishing policy of the federal government of making available to Canadian-owned and controlled book publishing companies all commercial book publishing projects which these agencies initiate; and that these agencies work closely with the book publishing industry to ensure that the potential for the use of research and program material prepared by the agencies as a basis for publication of Canadian books is maximized.

The cultural industries: Magazine publishing

Scope

We deal in this section primarily with consumer magazines, those periodicals published for a general audience. Throughout this analysis and the recommendations that follow, consumer magazines are defined broadly to include, for example, literary and scholarly periodicals, as well as mass circulation magazines.

Profile

Although the magazine publishing industry was the subject of important and controversial federal tax and customs legislation in 1965 and again in 1975, the federal government does not conduct a regular survey of the industry. However, considerable information, at least related to circulation levels, is available from industry sources.

About 500 million copies of paid circulation consumer magazines were circulated in Canada in 1979. In addition, an estimated 42 million copies of controlled circulation, or completely advertiser-supported consumer magazines, were circulated.

Of the total paid circulation estimated at 500 million copies, precise information is available from the Audit Bureau of Circulation (ABC) for individual magazines that accounted for 70% of total paid circulation in Canada, or 350 million copies in 1979. Just over 162 million copies of foreign general interest magazines were sold in Canada in 1979, accounting for 46% of ABC audited Canadian circulation. Ninety-two per cent of these foreign magazines came from the United States, 5% from France, and 2% from Britain. In virtually all cases, these foreign magazines enter Canada as overflow circulation of very large printings produced primarily for consumption in the home market with a small percentage of the print run being shipped to Canada. As a result, the cost of producing copies of these magazines for sale in Canada is very low.

An additional 88 million copies of magazines sold in Canada in 1979 were of publications linked to and, in a sense, adapted from magazines created originally for a foreign audience. These "adapted" magazines - which include the French and English language editions of Reader's Digest, Time magazine, and the Canadian version of TV Guide - accounted for an additional 25% of total ABC audited circulation in 1979. While Time magazine's Canadian issue contains no Canadian editorial content, the other adapted magazines do include varying amounts of editorial matter originating in Canada.

Finally, 101 million copies, or 29% of the total ABC audited 1979 circulation in Canada, were copies of magazines originating in Canada and initiated here without an ongoing link of any kind to a foreign magazine. Such magazines, the vast majority of which address specifically Canadian interests and needs, have generally experienced serious financial difficulties.

The publishing of French language magazines has proved particularly difficult in Canada as, of course, has the task of publishing magazines of particular interest to the relatively less populated regions of Canada. If one excluded television guides, which obviously have a rather special status as magazines, then just 17% of the circulation of original Canadian magazines is accounted for by French language publications. While circulation figures are not readily available for magazines that are directed primarily to the less populated regions of Canada, there is little doubt that they are very low, particularly in contrast to the circulation of foreign magazines in the same areas. The greater difficulties affecting the production of French language periodicals were noted succinctly a decade ago in the final Report of the Special Senate Committee on the Mass Media: "Whatever you can say about the sickness of the Canadian magazine industry goes double for the magazine industry in Quebec."

Canadian magazines have to compete for circulation revenue with both inexpensive overflow circulation, primarily from the United States, and with the lower cost "adaptations" noted above. While, as a rule, Canadian magazines substantially outsell their foreign competitors in the Canadian market, the total print runs of foreign magazines are usually many times

larger. As a result, although those Canadian magazines that do exist almost always compete successfully for Canadian readers against comparable foreign publications, the results have not often in the past included financial success.

Canadian magazines do not yet receive effective support through government policies concerning the distribution of magazines, despite the fact that distribution difficulties have been identified in every major study of Canadian magazine publishing as an obstacle to further development. Paid circulation magazines are distributed in one of two ways: either they are sold as single copies distributed through news-stands, or they are sold by subscription and distributed through the mail.

Canadian magazines have been far more successful in the subscriber sector of the market than they have in the distribution system that services the news-stands. While original Canadian magazines on a per issue basis account for 41.9% of the total estimated subscription market, they are far less successful on the news-stands, accounting for only 16.5% of the estimated single copy market.

The weakness of Canadian magazines in news-stand distribution reflects two important factors: first, while at the level of the local regional wholesaler the industry is primarily Canadian-controlled, at least 90% of news-stand sales of magazines are accounted for by foreign-controlled distribution companies which to an overwhelming degree dominate the marketplace in Canada; and, second, that the way in which this sector of the market operates reflects the continental scale of operation of the dominant foreign publishers and distributors, who can afford, because of very low per magazine production costs, to tolerate a very high level of waste. A very substantial percentage of the copies put on the news-stands are not sold and are subsequently destroyed. Foreign publishers, as a rule, are better able to afford this waste than are their Canadian counterparts.

The reason for the relative success of Canadian magazines in their sale to subscribers through the postal system is not to be found in any special treatment they have received from the post office. In fact, one of the most significant factors in the financial difficulties of the publishers of Canadian

magazines is the cost of postal distribution. Although the legislation under which Canada Post now operates defines by statute the right of Canadian magazines to preferential rates, the Post Master General until 1978 used his right to grant preferential rates by regulation as a basis for offering foreign magazines the same level of subsidy as Canadian. Even in 1978, the difference introduced in the level of subsidy provided to foreign as distinct from Canadian magazines was very slight and remains relatively insignificant.

Until recently there was an economic justification for this policy of giving foreign magazines the same preferential rates as were granted to Canadian publications. Unless foreign publications were trucked into Canada and shipped from a Canadian address, the post office, under international postal agreements, received very little revenue for carrying them. The lower rates were, therefore, offered to entice foreign publishers to mail their magazines from a Canadian address.

Although this policy was at odds with the Government of Canada's goal of strengthening Canadian magazines, at least it made economic sense for the Post Office. That is no longer the case, since under the terms of the 1979 Universal Postal Union agreement, Canada Post will be properly compensated regardless of whether foreign magazines are mailed from abroad or at a Canadian postal station. The present policy becomes even more difficult to justify since American magazines, the major beneficiaries of the current subsidy policy, receive a much lower level of postal distribution support from their own government. The United States has now initiated a policy of moving to full cost recovery for postal delivery services, which has resulted in substantial and continuing increases for American magazines in their home market.

Magazines depend for their income on advertising as well as subscription revenues. The proportion of advertising to subscriber revenue varies widely for different kinds of magazines. Some magazines, for example literary and scholarly publications, receive relatively little advertising. Although they are of vital cultural importance, their limited circulation makes them an appropriate advertising medium only for very specialized advertisers. As a result, many literary and scholarly publications require substantial grant assistance. Federal government support to such magazines has always been

quite limited and the recent cut-backs in cultural funding by the federal government have created particular difficulties for such publications.

Advertising revenue is essential for Canadian magazines addressed to a wider audience. They compete for advertising in difficult circumstances. The spillover distribution of foreign magazines brings a great deal of advertising into Canada that promotes the products of multi-national companies and reduces the need for the Canadian subsidiaries of such firms to place their own ads in Canadian magazines. In addition, magazines originating in Canada must compete directly for advertising in Canada with those magazines categorized above as adaptations. Since the cost of producing a Canadian edition of a foreign magazine or an adapted version of a foreign magazine is far lower than the cost of originating a magazine in Canada, such magazines can charge much lower advertising rates and still earn a good profit. The extreme case is that of Time magazine, whose 1978 financial statement for their Canadian edition shows total editorial expenses of \$15,275. No Canadian competitor starting from scratch could produce much of a magazine for that amount.

It was to meet this problem that the government passed legislation designed to offer a tax deduction to Canadian advertisers only when their Canadian ads were placed in Canadian magazines. The basic criteria used to define Canadian magazines were that they be owned and edited in Canada by Canadians and that not more than 20% of their editorial content be the same as that of any foreign magazine. In addition, the government passed legislation which prohibited the importation into Canada of magazines in which more than 5% of the advertising content was directed explicitly to a Canadian audience.

The most recent year for which actual magazine advertising revenue figures are available is 1978. Total expenditure by Canadian advertisers in consumer magazines in Canada was \$73million. However, of this total, \$25 million, or 34% of the total, went to Time, Reader's Digest and TV Guide, all of which as noted above possess a significant competitive advantage. Of the three, only Time magazine is categorized as ineligible for purpose of tax expenditure deductions by advertisers. The other two have received rulings

from the tax authorities which permit them to qualify as Canadian magazines despite the fact that much of their content is based on a common pool of editorial content or information drawn together initially outside Canada for publication in another magazine.

Issues

Production

The profit levels for commercial Canadian magazine publishers discourage new private investment. Improved distribution for Canadian magazines and careful enforcement of the present advertising and customs legislation would improve the climate for private investment in this sector. Given the high degree of risk involved, a tax incentive to stimulate private investment in Canadian magazine publishing would be appropriate and could have a strongly beneficial effect, as would government assistance to Canadian magazine publishers in acquiring loan capital.

The many smaller, more specialized publications, such as literary and scholarly magazines, need increased direct support. That support must be provided through agencies operating at arm's-length from government.

Distribution

Measures to increase the level of financing available for the publishing of Canadian magazines will be effective only if they are accompanied by public policy initiatives that result in substantially improved distribution. Preferential postal rates should be available only to Canadian magazines. In addition, action should be taken to establish greater control by Canadians over the distribution system for magazines and improved access to the news-stand for appropriate Canadian publications.

The need for special distribution support to smaller or newly established magazines, in particular to literary and scholarly publications, has been recognized in earlier studies of the industry. The most effective measure would be to provide free postal distribution for the first 5,000 copies handled by the Post Office.

Recommendations

Production

1. That the Department of Communications carry out a study to determine to what degree Canadian advertisers are complying with the Income Tax Act rules concerning the deductibility of media advertising expenditure; and to determine whether major foreign magazines coming into Canada are violating the customs regulations which restrict to 5% the advertising such magazines may carry that is directed to Canadian consumers.
2. That the Canada Council, in consultation with representatives of French and English language magazine publishing, conduct a review of the scope, level and nature of its assistance to the Canadian magazine publishing industry and initiate an appropriate expansion of its current grant assistance.
3. That the Government of Canada expand its definition of manufacturing activity to include magazine publishing, thereby making the industry eligible for all assistance, including loan capital support, which is now available from the federal government.
4. That the Government of Canada, on the basis of consultation with the Canadian magazine publishing industry, implement tax measures which would stimulate private investment in the publishing of Canadian magazines.
5. That the Government of Canada and its agencies place their Canadian advertisements directed at Canadian audiences only in original Canadian magazines and that the government increase its use of magazines as an advertising medium to the same level as the private sector.

Distribution

6. That financial assistance to foreign magazine publishers through subsidized distribution by the Post Office be discontinued, both for foreign magazines "mailed in Canada" and foreign magazines "printed and mailed in Canada".
7. That second class postal rates for Canadian periodicals not be raised for at least the next two years and that Canada Post provide Canadian magazines with specific delivery timetable guarantees to any destination in Canada.
8. That, in order to encourage the development of new magazines and to provide support to smaller minority interest magazines, the first 5,000 copies of Canadian magazines registered as second class mail be delivered free by the Post Office.
9. That the federal government use its powers under the Foreign Investment Review Act to prevent any new foreign ownership of the periodical distribution system; and work closely with the provincial governments to provide improved access to news-stand distribution for Canadian magazines.

The cultural industries: Recording

Scope

In this section we provide a brief description of the recording industry in Canada; identify the principal problems which inhibit the production and distribution of recordings of Canadian music and musical performances; and propose basic measures that would begin to resolve these problems.

Profile

The cultural policy of federal and provincial governments includes support to encourage the live performance of music in Canada. More recently, it has been the policy of the CRTC to require that recordings by Canadians and, to a more limited extent, performances of music composed by Canadians, account for a minimum percentage of radio broadcasting time. However, the Government of Canada has never recognized that its policies affecting music must acknowledge the central importance of the recording industry itself.

In the twentieth century, the recording industry has become the primary vehicle through which musical performances are heard by the public. During the 1970s, the sale of recordings in Canada increased by 20% each year. By 1976 Canadians were spending more money for records and tapes than on movies, spectator sports or all performing arts events.

Over 77% of Canadian households owned record players or tape playback equipment in 1979 and over 60% of individual Canadians played records and tapes for an average of 6 hours every week. Moreover, Canadians listen to the radio for an average of 18 hours a week, with approximately 80% of radio air time accounted for by recorded music.

Most record buyers (over 60% according to consumer research in the United States) are motivated to purchase recordings by hearing them played on the radio. In 1978, over 94 million records and tapes were manufactured in Canada, the vast majority of them produced from inexpensive imported master tapes of foreign musical performances. The recording industry in Canada reported \$230 million in sales of records and tapes in 1978.

Of this total, 78% is accounted for by foreign-controlled companies. Many of the major companies in the record industry are vertically integrated and their revenue in 1978 from these related activities, primarily the manufacturing of recordings and the wholesale and retail distribution of records, accounted for an additional \$142 million in revenue. Foreign-controlled companies received over 89% of this revenue.

While Statistics Canada had, of course, collected data on record and tape manufacturing as part of its general survey of the manufacturing sector, it only began to collect data on the recording industry itself in 1977. The industry survey does not yet provide figures that would indicate what percentage of the recordings sold by the industry include Canadian content or what percentage are Canadian performances. However, the survey does indicate that over 87% of the recordings sold by the industry in 1978 were made from imported master tapes leased from companies outside Canada.

The survey also indicates that the dominant foreign-controlled companies in Canada are not extensively involved in producing and manufacturing recordings in Canada. Only about 4% of their total sales are of recordings which they themselves have produced in Canada; while a further 2% of their sales are of recordings produced in Canada by other companies and issued under a lease arrangement. Their performance reflects the tight head office control which, with very few exceptions, is characteristic of their operation. In almost all cases, the major foreign-controlled recording companies in Canada are not able to sign recording contracts with Canadian artists without the approval of their head offices.

The majority of recordings made in Canada are produced by Canadian-controlled recording companies. As a rule, these companies are relatively small and inadequately capitalized. They depend almost entirely on the production of recordings in Canada.

Foreign-produced records have a very substantial competitive advantage over Canadian-produced recordings. The imported master tapes enter Canada with the 15% tariff assessed on the basis of the value of blank tape, i.e. roughly \$75. Not only can these imported master tapes be acquired very cheaply, but they also are being vigorously promoted in foreign markets. Most of this foreign promotion, particularly in the United States, has a substantial spill over effect in Canada.

By comparison, the production of an original master tape in Canada costs on the average \$50,000. Moreover, if the recording is to succeed, considerable additional money must be spent on promotion. If the primary market for a recording is in Canada, then the size of the domestic market, or often the French or English language segment of the market, is so limited that the risks involved are very high. While successful recordings can be quite profitable, the success ratio is estimated by the industry at 1 out of 10, in contrast with 1 out of 5 in the United States.

Because the foreign-controlled companies are principally involved in producing records based on imported master tapes, their capital requirements are more limited and their risks much lower. Their competitive advantage has served as the basis for developing their position of substantial dominance in the Canadian market. The result is that the Canadian recordings produced by Canadian companies have to make their way within an industry structure dominated by foreign controlled firms.

Financing and distribution are particularly acute problems for what is usually referred to as serious music. While the live performance of such music by Canadian symphonies, choirs, soloists and ensembles receives a significant level of direct support from the federal and other governments, there is not at the present time any policy whatever related to the recording of such music. The results are to significantly limit public awareness of and access to the highest quality Canadian musical performances.

Particularly serious are the consequences of having few measures in existence to provide an opportunity for the recording of the work of Canadian composers. Without a reasonable possibility of having his or her work recorded, a composer cannot successfully pursue a career in musical composition. Apart from the work that the Canadian Broadcasting Corporation has done in recording the work of Canadian composers, there have been only the most limited opportunities.

The CBC has carried on its activity in the recording of music in Canada without an explicit mandate to do so and with only limited access to the record distribution system. A combination of increased direct support to Canadian recording companies for the recording of serious music in Canada, and a clarified mandate and a more adequate budget for the recording and distribution functions of the CBC, would begin to address this problem in a realistic way.

Issues

Industry Structure

There is a need for significant structural change to establish a substantially increased Canadian presence in the record production and distribution industry in Canada. Other measures of support to stimulate the production of Canadian recordings will not succeed without such action.

Stimulus to Canadian Production

Even if other measures are adopted, it will remain less expensive and less risky to import foreign master tapes than to produce Canadian recordings. While some kinds of recordings will always require direct public subsidy, changes to the income tax legislation and loan capital assistance could significantly increase private sector investment in the production of Canadian recordings. In addition, there are fair and equitable measures that could be

taken which would significantly improve the competitive position of Canadian-originated recordings vis-a-vis foreign recordings. At present, the foreign master tapes from which foreign recordings are made in Canada result in a return of more than \$30 million a year in royalty income payments to foreign artists, despite the fact that these master tapes enter Canada as though they were of almost no value.

Promotion

Overflow promotion for the work of foreign artists is extensive. An effective strategy to encourage the development of high quality Canadian recording will have to recognize the need for effective promotion of the work of Canadian recording artists, songwriters and composers. The CRTC's Canadian content regulations represent the most direct and effective means of making Canadian recordings known to the public.

The CBC has a particularly important role to play in promoting Canadian music including the promotion through radio and television broadcast of high quality Canadian musical performances and the broadcast of the work of Canadian composers.

Recommendations

Industry Structure

1. That the Government of Canada adopt the goal of achieving Canadian ownership and control of at least 50% of both the French and English language sectors of the record production industry and the record distribution industry in Canada; that the Foreign Investment Review Agency's decisions on all record industry takeovers and new entries reflect this objective; and that, where necessary, loan capital assistance be provided to facilitate the acquisition of recording companies now under foreign control.
2. That the Federal Department of Communications, in co-operation with the Canadian-controlled record production companies, carry out research on the structure of the record distribution system in Canada and the implications of this system for the distribution of Canadian recordings.

Production

3. That the Federal Income Tax Act be amended as proposed by the French and English language Canadian recording industries to provide through appropriate Capital Cost Allowance provisions, an incentive for investment in the production of Canadian recordings which are produced by Canadian-owned and controlled recording companies.
4. That loan capital assistance be provided through an appropriate agency of the federal government to permit the business-like expansion of Canadian-controlled record companies where such expansion will result in increased production of Canadian recordings and improve the distribution structure for Canadian recordings.
5. That the Canada Council expand its grant support program for culturally important recordings produced by Canadian-controlled recording companies to parallel and equal in scale the assistance now provided to Canadian book publishers for the publishing of Canadian authored books.
6. That the mandate of the Canadian Broadcasting Corporation be clarified to provide that agency with a specific and well-defined role in the production and distribution of Canadian recordings, giving particular attention to the recording of Canadian compositions; and that the necessary funding be provided to the CBC to permit this expansion of its activities.
7. That longer-term taxation measures, which would recognize and reflect the higher costs associated with initiating recordings in Canada rather than producing records from inexpensive imported master tapes, be developed; and that these measures be based on the objectives of strengthening the Canadian-owned and controlled recording companies and encouraging greater investment by the companies themselves in the production of recordings of Canadian musical performances and of Canadian music.

Promotion

8. That the CRTC increase to 10% its present requirement that 5% of the musical composition broadcast must have either music or lyrics written by a Canadian; require that 1/6 of all recordings broadcast as part of the required percentage of Canadian musical performances should be of new recordings as defined by the CRTC; and the effects of these policy changes be reviewed carefully four years after their implementation.

The environmental arts

I believe it will take a thousand years to develop a national style in Canada, but I do see a light in the west over a grain elevator.

Eric Arthur

The environmental arts

There remain a number of fields, described here as environmental arts, whose activities bear close relation to the concerns of the arts and cultural community and which merit examination to determine how they might fit within federal cultural policy. These related fields include architecture, urban planning and design, landscape architecture, industrial design, and interior design.

Their importance arises first from their ability to serve as distribution arms for the arts and culture. To take one example, major building sectors (commercial, institutional and governmental, residential, industrial) represent important potential markets for the visual arts in particular. Architects, landscape architects and interior designers are the intermediaries who can successfully bring clients and creators together on projects where the concept originates with a concern for integrating the visual arts into the total building and grounds development. Architects can also be influential in introducing ideas to clients about the possibilities for including within major building projects facilities for exhibits, recitals, theatre performances, screen showings and similar activities. Another example is found in the potential opportunities for craftsmen-designers to develop prototypes for industrial reproduction and expand markets through fruitful collaboration with the industrial design profession.

Federal cultural policy should therefore include a concern for these fields to the extent that they act as distribution/marketing mechanisms for the arts.

The fields also merit consideration because of their own distinct features, the impact they have on the aesthetics of the natural and man-made environments, and the influence they have on aesthetic awareness and sensitivity. The daily visual environment experienced by everyone, whether it be the shape and character of cities, parks and streetscapes or the design of furniture and glassware, is profoundly influenced by what is, or is not, happening in these fields.

At present, the fields themselves accord low priority to initiating contacts with federal departments and agencies responsible for arts and cultural affairs, although they actively maintain close liaison with numerous other areas of government. Federal cultural agencies for their part pay scant attention to the environmental arts. What appears to be missing is an understanding of the interrelationships and mutual reinforcing mechanisms which could potentially exist between the arts as traditionally defined and the environmental arts, granted also that there are areas of considerably divergent concern.

The challenge for the future is for federal cultural departments and agencies to include certain aspects of these related fields as part of their mandates, to seek ways and means to encourage greater direct links between the arts and the environmental arts, and to promote increased public awareness of, and demand for, the environmental arts as important instruments of cultural expression.

PART IV

Some conclusions

Am at Wolverhampton. Where am I
supposed to be?

Telegram from
G. K. Chesterton
to his wife

Some conclusions

In spite of the great success the arts and the cultural industries have made in the thirty years since the Royal Commission on National Development in the Arts, Letters and Sciences reported in 1951, our analysis makes it clear that support for cultural activity in Canada is still limited, still inadequate to meet even the basic needs, and must be increased as part of a sustained effort by the Government of Canada to develop a greatly increased opportunity for cultural expression by all Canadians.

But our study has underlined the fact that increased support for cultural expression will only make sense if it is pursued concurrently with action to establish Canadian control over the production and distribution of cultural products and services in Canada and greater efforts to ensure that Canadian cultural materials are well produced and effectively distributed.

The recommendations contained in this paper are substantial in their substance, their variety, and in their practical potential in almost every case for prompt implementation. All the proposals we put forward reflect the following basic objectives:

- 1) The creation and production, by Canadians, of Canadian materials, primarily for the use of the Canadian public.
- 2) The development of the individuals, institutions, corporations and the legislative and economic framework that will make possible the creation, production, distribution, and preservation of Canadian materials.
- 3) The long-term commitment and organization of the public and private resources necessary to permit the orderly, continuing creation, production, distribution, use, and preservation of Canadian materials.

The approaches we are recommending vary greatly from sector to sector. We recognize that in some sectors it is simply not possible to generate revenues in excess of expenditures and that, as a result, direct subsidies from private and public sources are essential. This is the case in most countries, particularly those with relatively small populations, and even more the case when that population, as in Canada, includes two major language groups. We also recognize that certain critically important Canadian products have been, and probably will continue to be, produced primarily through public rather than private enterprise. Without the public enterprise, these products will not be available. However, we have also indicated that there are sectors in which Canadian material can be produced to a much greater degree on a commercial basis. This is particularly the case in some of the cultural industries, where problems related to foreign ownership and control, the distribution structure, copyright and taxation policy, have inhibited such activity.

The cost of producing materials in the cultural industries varies greatly. While it may cost \$10,000 to produce a book, a \$1,000,000 budget for a movie is considered relatively low.

In some sectors, a great deal of production is possible that is directed primarily to a Canadian audience; in other sectors, the potential for commercially workable production based primarily on the Canadian market is quite limited. In all of the cultural industries, the major producing countries achieve very high levels of production quality (because of their extensive resources of finance and talent and the large home market to which they sell) and are in an excellent position to sell these products into Canada at very low prices. Government policies must reflect the precise nature of each sector, giving priority to the need to ensure, as stated in the objectives noted above, that Canadian materials can be and are being produced on a continuing basis in ways that express Canada's cultural realities, and are being effectively distributed so that Canadians can use them.

There is today an enormous private investment in broadcasting and cable distribution and we can anticipate that a similar investment will be made in satellite equipment. At present, although these private systems generate large gross revenues, they are producing very little Canadian program material, and much of what is produced is of very low quality. This rapid expansion of the private sector is occurring with little reference to Canadian production or product needs, while the public elements of the system continue to produce the vast majority of Canadian programming with declining federal government financing. This is a special and extremely serious problem to which the Government of Canada must respond in a coherent and systematic way.

It is essential to recognize the danger that a preoccupation with future technology-related problems in the cultural industries may result in a failure to address those difficulties that already exist and for which remedies are readily at hand. History makes it clear that there are not communications and cultural revolutions - only evolutions, albeit occurring at an accelerating pace. Established media do not disappear; instead they find a new place or a different way of functioning alongside the new. For Canada, much of the difficulty involved in planning for the future arises from the fact that in some key sectors we have never established strong Canadian producers and distributors, and therefore have a weak base from which to pursue the development of new cultural products and services.

A second, and perhaps more serious danger, is that action to build the cultural industries will be seen as an alternative to the continuation and expansion of direct support to artistic creation and performance and to other aspects of cultural creativity and expression. Any such notion would be founded on a fundamental misunderstanding.

Perhaps the most revealing parallel that can be drawn is between the process of artistic and cultural creation and scientific activity. If there is to be real development in either field, then there must be direct support for the new and the innovative. Progress is uneven and much that is supported leads down what come to be seen as blind alleys. But one can't know at the time, and unless there is a real commitment of direct support for the creative process itself, there is no foundation on which to build the structures through which this creativity is developed and made useful and important to the society as a whole.

The recommendations put forward in this paper reflect what we believe to be very widely accepted Canadian attitudes and values. They are firmly based on the fact that the vast majority of Canadians support measures that will strengthen the quality, availability and use of cultural materials produced by Canadians and for Canadians, as we have in particular, practical, national ways for at least fifty years, and in spirit since the country was founded.

The Government of Canada has been engaged over the past three years in a continuing review of its cultural policies and programs. More recently, a fifteen-member Federal Cultural Policy Review Committee has been established which is to hold public hearings across the country in 1981, produce a report for consideration by an all-party Committee of the House of Commons, and publish a White Paper on Cultural Policy in 1982.

We have not prepared A Strategy for Culture primarily as a submission to the Federal Cultural Policy Review Committee. There are too many urgent problems affecting Canadian cultural activities that must be dealt with now, and too many areas in which we believe that the appropriate and necessary actions by government are relatively obvious, for us to be able to accept inaction until after publication of the White Paper in 1982.

We urge the Government of Canada to act now on the recommendations put forward in this report. We caution the government strongly against the temptation to believe that there ever will be, or even should be, a single and comprehensive cultural development plan for Canada. What is needed above all else is, first, a clarification of the objectives to be pursued and a commitment to those objectives, and, second, a broad agreement on the principles that should determine what kinds of intervention are acceptable and what kinds are not.

We have put forward a set of basic objectives related to the development of Canada's culture, basic principles against which any proposed actions by government can be evaluated, and a comprehensive program of action. These are objectives, operating principles and recommendations which we can and will actively help to make effective. We urge their adoption and prompt implementation by the Government of Canada.

PART V

Summary of Recommendations

I have thought too much to stoop to
action.

Phillipe Auguste Villiers de
l'Isle-Adam

Summary of recommendations

Objectives

We recommend that the following cultural policy objectives be adopted as the basis for public policy in Canada and that these objectives be pursued in a systematic and vigorous way in every sector of the arts and the cultural industries.

1. The creation and production, by Canadians, of Canadian materials primarily for the use of the Canadian public.
2. The development of the individuals, institutions, corporations and the legislative and economic framework that will make possible the creation, production, distribution and preservation of Canadian materials.
3. The long-term commitment and organization of the public and private resources necessary to permit the orderly, continuing creation, production, distribution, use and preservation of Canadian materials.

Basic principles for federal cultural policy

We recommend that the following basic principles be adopted by the Government of Canada as the basis for formulating specific strategies for the achievement of the cultural objectives proposed in this paper.

1. While federal and provincial governments share responsibility for the support of the arts and cultural activity, the Government of Canada has, and must continue to have, primary responsibility.
2. All Canadians should have access to a full range of cultural works created, performed, produced, distributed and provided by Canadians, but no action should be taken that would preclude access to the cultural works of other countries.
3. In order to ensure that no single group or interest, whether public or private, has a position of substantial dominance in any sector of the arts or the cultural industries, the federal government should encourage multiple sources of financial support for artistic and cultural activity and should sustain, where this is fully compatible with the national cultural policy objectives, alternate means for the production and distribution of Canadian cultural materials.

4. The federal government should assume a leadership role in developing and implementing strategies which recognize and accommodate the high degree of interdependence among the arts, the cultural agencies, and the private sector, and between the commercial and non-commercial elements in the Canadian system.
5. Federal cultural policies and strategies should at all times be developed in full consultation and co-operation with those most directly affected by them.
6. Federal support to the arts and the cultural industries should include appropriate legislative and regulatory measures and direct financial assistance.
7. Federal support, direct and indirect, should be provided only to Canadian creators, cultural works and institutions and, in the case of production and distribution companies, only to businesses that are owned and effectively controlled in Canada by Canadians.
8. The federal government should provide encouragement, support and maintenance at the professional level for Canadian creative work of every kind.
9. Federal support should include, insist on, and accommodate experiment and innovation in the arts generally, and in the cultural/communications/information industries.
10. Federal support should assist in the development and maintenance on a national basis of a pool of Canadian creative, interpretive and managerial talent.
11. The federal government should uphold and protect the right of members of the Canadian cultural professions to be fairly compensated for their work and for the use of their work.
12. The Canadian Copyright Act and revisions made to it should continue to be based on the protection of creators. The Act should be revised periodically to keep it in line with contemporary requirements, and any such revision should recognize that the development and maintenance of healthy cultural industries in Canada is a prerequisite for strengthening the position of creative talent in Canada.
13. All direct federal financial support for artistic and cultural activity should be provided wherever appropriate through cultural agencies acting at arm's-length from government.
14. Regulatory authority for radio, television and telecommunications should continue to be exercised through the Canadian Radio-television and Telecommunications Commission, operating at arm's-length from government on the basis of a clear legislative mandate.

15. The principle of overall federal responsibility for and control of the cultural/communications/information system in Canada should be maintained.
16. The federal government should ensure that the cultural and communications industries in Canada are owned and effectively controlled by Canadians, in the production, distribution, and where applicable the exhibition sectors.
17. The federal government should expect and encourage the cultural industries in Canada, including the production and distribution sectors, to invest a reasonable and increasing proportion of their gross revenues in the production of Canadian materials.
18. The federal government should support the promotion of Canadian materials both domestically and abroad.

We further recommend that the necessary additional authority and resources be provided to the Minister of Communications and his department to permit them to develop, based on the principles above, comprehensive, coherent strategies for achieving the cultural policy objectives and to monitor progress toward these objectives.

The federal role in cultural development

1. Federal support for the public broadcasting system should return to at least 1.5% of total federal expenditure.
2. The non-broadcast cultural activities of the federal government should receive at least 1% of total federal expenditure.
3. The Minister of Communications and his department should assume responsibility for cultural policy review and co-ordination for the government as a whole and be provided with the necessary additional authority and resources to enable them to properly carry out these responsibilities.
4. With respect to the cultural agencies, the authority of the central co-ordinating unit in the Department of Communications should be limited, first, to the review of agency mandates to ensure that they reflect overall policy aims and, second, to a co-ordinated assessment of total budgetary needs.
5. Statistics Canada should be provided with the necessary support to permit the regular collection of reliable and useful statistics which will provide a firm basis for judging the extent to which the cultural objectives are being achieved.
6. An independent cultural research institute should be established to carry out research on matters related to cultural policy.

Copyright

1. Responsibility for the Copyright Act should be assigned immediately to the Department of Communications.
2. In close consultation with Canadian creators and producers, the Department of Communications should begin immediately to draft a new Copyright Act which will effectively strengthen the position of creators and producers and encourage Canadian cultural development.

Tax policies

1. Taxation policy should be used in a systematic way as a vehicle to encourage cultural development.
2. Performing and creative artists who are classified as employees should be permitted under the Income Tax Act to deduct expenses in calculating their taxable income on the same basis as artists who are self-employed.
3. Unemployment insurance coverage should be made available to performing and creative artists regardless of whether they are classified as employees or as self-employed.
4. Performing and creative artists should be permitted to deduct as expenses for income tax purposes the cost of specialized training or coaching received outside the framework of certified educational institutions.
5. The provisions which now apply to art collectors when they donate a work of art to a public gallery or other public non-profit institution should be extended to individual artists who make donations of their own work.
6. Special instruments, equipment and materials which must be imported should be classified as duty-exempt tariff items if they are of a class and kind not made in Canada.
7. Visual artists and craftsmen should in all cases be exempt from paying sales tax on materials and production equipment, and from charging sales tax on their finished work.
8. Tax incentives to attract private funding to the arts and the cultural industries should be used as an instrument to achieve the basic cultural objectives.
9. A comprehensive review should be commissioned immediately by the Department of Communications to examine and evaluate all of the current provisions of the Income Tax, Excise, Excise Tax and Customs Tariff Acts as they affect the production activity of Canadian cultural industries.

Immigration

1. In order to properly and consistently administer the present Immigration regulations, practical working relationships should be established between the Department of Employment and Immigration and the unions or associations which represent categories of workers in the arts and the cultural industries. The Department should consult the relevant unions or associations regarding applications by non-Canadians for authorization to work in Canada before any such authorization is issued.
2. The exceptions in the present Immigration regulations which allow unrestricted entry for television artists should be removed.

Impact of new technologies

1. The Government of Canada should establish a clear policy framework with respect to such issues as ownership and control, taxation policy, customs duty, etc. in all of the new communications areas to ensure that production and distribution is carried out primarily by enterprises controlled by and responsible to Canadians.

Federal cultural agencies

1. The cultural agencies operating at arm's-length from government should be viewed as important instruments both for safeguarding the public interest and for providing the independence essential to certain aspects of arts and culture support, particularly support which involves means other than legislation or taxation.
2. The only means by which the federal government is authorized to shape the priorities, policies and programs of the cultural agencies should continue to be through changes to their mandates.
3. The federal government should review and, where appropriate, amend the mandates of the cultural agencies in order that they may complement each other and contribute to a coherent overall federal role.
4. The corporate plans of the cultural agencies should be made available to the public.
5. The boards of directors of the cultural agencies should be composed of individuals who command the respect of the clientele and who together encompass the knowledge and expertise needed for competent management in the public interest.

6. The chief executive officers of all cultural agencies should be selected by the boards of directors and simply approved, not appointed, by the Governor in Council.
7. The cultural agencies should have final authority for the expenditure of whatever resources are allocated to them.
8. The direction, control, reporting and evaluation of the cultural agencies should be designed in terms of the specifics of each agency's responsibilities.
9. The cultural agencies should together constitute a group which is beyond the net of generalized legislative requirements regarding crown corporations.
10. The federal cultural funding agencies should insist that a reasonable proportion of the board memberships of their client groups be elected from a list of nominees put forward by the artistic and cultural communities affected by the client groups.
11. The funding agencies should develop appropriate guidelines with respect to the information to be provided in the annual statements published by not-for-profit cultural institutions supported by public funds, and the public availability of these reports.

National non-governmental organizations

1. The federal government should provide adequate, systematic support for national non-governmental organizations which embrace and serve the needs common to all sectors or to various segments of the arts and the cultural industries.
2. The strategy already proposed to the Department of Communications by the Canadian Conference of the Arts for the development of a clear support policy for the national non-governmental organizations should be pursued immediately.

Professional training

1. The Government of Canada should acknowledge that it has a leadership role in supporting opportunities for professional arts training.
2. Federal efforts and initiatives in professional training should be co-ordinated with the provincial governments, their relevant departments and agencies, and in continuing consultation with representatives of the arts community.

3. The Canada Council and other federal cultural agencies should be provided with the necessary resources to continue and expand their support of professional training opportunities, including provision of more and larger awards, active encouragement of on-site apprenticeship programs established by professional arts organizations, and continued and increased support of schools and training programs of quality and excellence.
4. Federal authorities should ensure that assistance for professional training in the arts and the cultural industries is provided in the same manner assistance is offered for training in the general employment area.

Arts and education

1. The federal government should encourage provincial authorities to fulfill their responsibilities for providing arts education programs within the formal educational system.
2. In consultation with the Council of Ministers of Education, the federal government should investigate the feasibility of establishing a shared-cost program with all provincial governments to promote opportunities for, and the standards of, arts education, particularly at the primary and secondary levels.
3. The federal government should ensure that the Canada Council and other federal cultural agencies are provided with the means to continue and expand their support of services and activities specifically designed for young people.

International cultural relations

1. The Department of External Affairs should play a key co-ordinating role for the international aspects of cultural policy and be provided with adequate resources to enable it to exercise strong leadership in stimulating initiatives by other federal departments and agencies as well as the provincial governments and the corporate sector.
2. Actual program operations for the international aspects of cultural policy should be carried out by other appropriate departments and agencies.
3. An advisory committee to the Department of External Affairs should be established immediately to examine and make recommendations on present policies and to guide future directions for the international aspects of cultural policy. This committee should be made up of knowledgeable people committed to, and having the respect of, the arts and the cultural industries.

A new source of funding

1. Consideration should be given to the establishment of a new cultural development fund to provide additional support to the arts and the cultural industries in Canada within a framework consistent with the cultural objectives and basic principles. This new fund should be in a position to provide direct financial support, debt or equity financing, investment, and generally be free to develop a flexible and innovative program of support for the arts and the cultural industries.
2. The fund should be financed by corporations and individuals and, on a matching basis, by government. The government contribution could include lottery funds.
3. The new fund should operate independently of the federal government on the basis of guidelines agreed to by the corporate sector and government.
4. The board membership should consist of appropriate, competent and public-spirited Canadians chosen on a basis agreeable to the business community, the artistic and cultural community, and government.
5. A minimum ten-year financial commitment should be made by the federal government in order that the fund may establish itself and find its place in the cultural life of Canada.

Performing arts

1. The parliamentary appropriation to the Canada Council should be regularly and substantially increased for each of the next three fiscal years in order to achieve real growth of one hundred per cent in constant dollar terms by the end of the three-year period.
2. The capital support program for performing arts facilities should be re-instated and funded on a continuing basis in order to meet the continuing requirements for renovated, expanded and new performing arts facilities throughout the country.
3. Appropriate tax incentives should be introduced to encourage increased private investment in Canadian-owned companies which are engaged in commercial production of the performing arts.
4. The recommendations regarding Copyright, Tax policies, Immigration, National non-governmental organizations, Professional training and International cultural relations, to the extent that they affect the performing arts community, should be implemented in close consultation and co-operation with performing arts representatives.

Writing

1. The Copyright Act should be revised in line with the proposals advanced by the writing community, and again actively involve representatives of that community in the process.
2. Tax legislation should be revised to permit the full deduction of all legitimate expenses related to writing, and to exempt Canada Council grants from income tax.
3. A system of Compensation to Authors should be instituted as soon as possible as fair recompense to writers for the public use of their work.
4. Capital Cost Allowance regulations for film and television should be revised to ensure that Canadian writers are more widely employed.

Visual arts

1. The parliamentary appropriation to the Canada Council should be regularly and substantially increased for each of the next three fiscal years in order to achieve real growth of one hundred per cent in constant dollar terms by the end of the three-year period.
2. The "One Per Cent for Art" program previously administered by the Department of Public Works should be re-instated.
3. A capital support program for visual arts production facilities should be established and funded at a level to meet existing needs across the country.
4. Appropriate tax incentives should be provided within the taxation system to encourage private investors to purchase or commission works by living Canadian artists.
5. The recommendations regarding Copyright, Tax policies, Immigration, National non-governmental organizations, Professional training and International cultural relations, to the extent that they affect the visual arts, should be implemented in close consultation and cooperation with visual arts representatives.

Crafts

1. The Government of Canada should define advanced training opportunities as a matter of federal concern and:
 - a) assist with the establishment of national standards for advanced crafts training;

- b) support the development of curricula design by such national associations as the Canadian Crafts Council for submission to provincial authorities;
 - c) fund facilities at an advanced training level and ensure that financial assistance is available for craftsmen to further their professional development;
 - d) encourage national and international exchange of master craftsmen, administrators and marketing specialists for the purpose of conducting advanced workshops and seminars.
2. The Government of Canada should provide loan capital assistance to crafts producers through an appropriate federal agency to support increased crafts production and market development.
3. The Government of Canada should provide increased assistance and support to the national service organizations which represent and promote the interests of crafts producers.

Broadcasting

If Canadian broadcasting is to serve as an instrument of Canadian sovereignty, we cannot proceed with its development on the basis of assumptions and structures which have repeatedly defeated its objectives in the past. Extraordinary measures must be taken to counter the essentially hostile environment for Canadian program production. First among those measures is a redefinition of the broadcasting market in terms of its social, rather than financial value, a value that warrants the national priority recently assigned to the repatriation of our energy resources.

Recommendations

Policy priorities

1. The Government of Canada should acknowledge the central role of broadcasting in ensuring Canadian sovereignty, and assign to this sector a priority comparable to that which has recently been assigned to the development of energy.
2. The Government of Canada should reaffirm Section 3 of the Broadcasting Act as the cornerstone for the development of the Canadian system.

3. The Government of Canada, as a matter of urgent priority, should develop coherent, comprehensive policy guidelines as criteria for the fundamental decisions now confronting the CRTC, which address:
 - mechanisms for ensuring that present and future subscription revenues in the system support the production of Canadian programming;
 - the implications of concentration of ownership, and cross-media ownership, within the system;
 - copyright payment for cable and satellite use of program material;
 - priorities for the orderly introduction of domestic satellite services, including CBC-2, pay TV, and native program services;
 - Canadian objectives in relation to the transborder reception of satellite signals;
 - co-ordination of the resources of film and television-related government agencies (CFDC, NFB, CBC, Canada Council) in the development of a predominantly Canadian system;
 - means of assuring continued local and regional programming;
 - the introduction of non-programing and special programing services;
 - the interrelationship of cultural and industrial strategies in broadcasting and communications.

Restructuring the communication system

4. The Government of Canada should undertake, with the CRTC, a co-ordinated restructuring of the production and distribution elements of the system to assure a more effective distribution of responsibilities related to the goals of the Broadcasting Act, and maximum possible support for the production of high quality, competitive, and identifiably Canadian programming. The Canadian Conference of the Arts, as a member of the Joint Action Committee on Pay-TV and Satellite Policy, has submitted a detailed model for such restructuring to the CRTC.
5. A comprehensive satellite package of Canadian services, as proposed by the Joint Action Committee, should be distributed on a universal basis by satellite/cable.
6. The CRTC should reject the American model of discretionary pay TV as culturally inappropriate and economically non-viable in the Canadian market. If a movie channel is considered necessary to offset illegal reception of U.S. services it should be available on a universal basis which will ensure maximum air time and revenue return to Canadian production.

7. As recommended by the Clyne Committee, the cable industry should be:
 - a) established as a common carrier on the principle of separation of content and carriage;
 - b) directed to return a significant portion of existing and future revenues to independent Canadian production;
 - c) regulated on a rate-of-return basis as are other common carriers.
8. A Foreign Program Purchasing Monopoly should be established to purchase on a monopoly basis, and resell on a competitive basis within the domestic market, all foreign programming for use on Canadian television, including the American networks in their entirety, should their continued delivery be deemed desirable.
9. The CRTC should undertake a review of the financial structure of the CTV network, as proposed in the network's 1979 license renewal decision, with a view to reorganizing CTV financing in a manner which would more reasonably reflect the profitability of its affiliates.

The CRTC

10. The CRTC should resist pressures to proceed with licensing new elements of the system prior to the independent policy determination of Canadian content hearings, and the anticipated Communications Bill. This applies particularly to pay television which, if introduced on the announced timetable, could functionally determine a number of policy issues independent of the review process.
11. The CRTC should utilize its authority (recently upheld by the Federal Court) to impose conditions of licence as a means of ensuring more equitable sharing of responsibility between private and public elements of the system for the production of quality Canadian drama.

Canadian content

12. The CRTC should strengthen and extend the Canadian content regulations for television broadcasting to assure that the quality and availability of Canadian programs are conducive to their viewing by the Canadian audience. Specifically, we recommend that:
 - regulations be applied to peak viewing schedules;
 - the earlier forms of the Canadian content regulations, including program category quotas, quarterly averaging, and the limitation of programs from a single foreign source, be restored;
 - the definition of "Canadian" be tightened and made consistent with the definitions proposed in the film section of this paper for purposes of the Capital Cost Allowance related to Canadian film and television production;

- the Canadian content regulations be applied to all elements of the system, including the total program package delivered by cable, and permit no exemptions for new services such as pay TV.

The public broadcasting system

13. The Government of Canada should reaffirm the role of the CBC as the main instrument for the expression of Canada's cultural life, and as the principal vehicle for the preservation of social and cultural sovereignty.
14. Subject to the development of appropriate plans for expanded activity, the budget of the CBC should be increased over the next three years by approximately 50% and maintained at a level equal to 1.5% of total federal government expenditure.
15. Plans should be made to progressively remove commercials from CBC television, leaving commercial revenues to the private broadcasters.
16. The priority of public services in the allocation of satellite capacity, the development of satellite services, and the priority of cable carriage should be established.

The private broadcasting & program production industry

17. Through a combination of regulations and incentives (wherever the latter are justified), the federal government should take action to ensure that a significant proportion of the gross revenues of the private television broadcasters, and of their program production budgets, are committed to Canadian program production and the purchase of Canadian programs from independent producers.

Communications research institute

18. The Government of Canada should establish an independent content-oriented Institute for Communications Research to assess, and plan strategically for, the impact of telematics on the Canadian system and its content.

Copyright

19. The revised Canadian Copyright Act should extend copyright protection to cover the diffusion and rediffusion of program material over cable and the transmission of program material by satellite.

Film

Federal agencies

In both English and French Canada, production of films which reinforce the Canadian identities will continue to rely on the support of government policies and funding.

1. The federal government should continue to provide substantial financial support for film production through the federal agencies (NFB, CFDC, CBC) and the Canada Council.
2. The federal government should ensure that the operation of these agencies is co-ordinated and mutually supportive, in order to maximize their effectiveness in respect of both production and distribution.
3. The federal government should acknowledge the dominant role of film production in determining Canada's cultural vitality by increasing the annual appropriation of these agencies, as well as the federal funding provided the Canada Council.
4. The federal government should encourage the Canadian Film Development Corporation to:
 - a) restrict its participation to those films which have demonstrable Canadian creative and financial control;
 - b) increase its equity investment (now reserved primarily for French language films) in English language productions of particular cultural significance;
 - c) invest in films made for Canadian television through both the private sector and government agencies;
 - d) co-produce annually with the CBC and/or the NFB, a small number of 100% Canadian feature films for television and/or theatrical release;
 - e) extend its involvement in script development, and in the distribution of films in which it participates;
5. The federal government should encourage the Canadian Broadcasting Corporation to recognize its special responsibilities in assuring public access to the productions of the NFB and the CFDC by undertaking an expanded, and more co-operative role in the television release of these films. Since Radio-Canada is already serving such a function, we would recommend specifically that:
 - a) CBC-ESD, as well as CBC-2/Télé-2 co-produce and pre-purchase, as well as buy television rights to a minimum number of Canadian feature films annually, at rates which are comparable to those offered by American networks and pay television services.
 - b) CBC-2/Télé-2 provide a dedicated time slot for programming by the NFB.

6. The federal government should encourage the National Film Board to build on its excellent record in feature film production by co-producing, with public and/or private partners, a minimum of one fully Canadian feature film in each language annually.
7. The federal government should encourage the Canada Council to increase the proportion of its total funding allocated to the support of filmmakers and filmmakers' support organizations.
8. The federal government should encourage the agencies to increase the number of their productions which are dubbed (in Canada) into the other official language.
9. The federal government should provide a bonus increase in the annual appropriation of the CFDC indexed to the proportion of return from its film investments which has been earned in the domestic market.
10. The federal government should discuss with the CRTC the possibility of:
 - a) requiring all Canadian television networks to allocate 10% of their movie schedules to Canadian films, on the basis of recent CROP surveys which indicate that a majority (65%) of the Canadian public would support such a requirement;
 - b) requiring the networks to commission a minimum 10% (higher for CBC) of their schedules from independent producers;
 - c) ensuring that no new television services are established on the basis of in-house plant capacities, because of the prejudicial effect such vertical integration has had on the independent production industry;
 - d) ensuring that new satellite/cable-delivered services are financially structured to assume Canadian content, support its production, and pay for all programming carried.

Capital Cost Allowance

1. Because of the powerful potential of the 100% Capital Cost Allowance for developing the Canadian production industry, it is essential that its operation be aligned with the cultural purposes for which it was established. We recommend that the regulations of the Income Tax Act respecting the Capital Cost Allowance for investors in Canadian films be amended to ensure that its use is restricted to those productions which are financially and creatively controlled by Canadians.
2. For purposes of CCA certification we specifically recommend that it be mandatory that:
 - a) the production company, and its parent, be beneficially owned and controlled by Canadians;

- b) individuals performing producer, executive producer, and producer-related functions be Canadian;
 - c) the director and/or scriptwriter, and one of the two performers receiving highest remuneration and screen credit, be Canadian;
 - d) no points be awarded in categories in which there is any non-Canadian participation;
 - e) a "Canadian" be defined as a Canadian citizen, or a permanent resident with minimum one year residency.
3. We also recommend that automatic CCA qualification for films produced under official co-production treaties should be terminated, and the treaties themselves should be renegotiated or terminated.

Distribution

- 1. The long-term viability of the 100% CCA, and the Canadian production industry is contingent on effective domestic distribution: therefore, market mechanisms should be established to parallel the financing mechanism of the CCA.
- 2. The federal government should place a levy on the annual quarter billion dollar Canadian box office revenues of foreign films to be dedicated to support of identifiably Canadian production, as is the practice in most film-producing nations outside the U.S. Such a mechanism could be applied either in the form of an increased withholding tax on the export of foreign distribution revenues, or in the form of a dedicated box-office tax.
- 3. As an incentive for the exhibition of Canadian films, theatrical exhibitors should receive a reduction in the amount of the levy and/or corporate taxes paid, based on bookings of Canadian films in excess of a required minimum.
- 4. Revenues earned on an investment in a 100% Canadian film should be taxed at a preferential rate, and revenues in excess of 300% of investment should be tax free.
- 5. Producers of films financed under the CCA should be required to:
 - a) assign Canadian distribution rights to a Canadian company;
 - b) sell domestic and U.S. theatrical, television, and pay television rights independently;
 - c) assign Canadian pay television rights to a Canadian pay television service, should such a service be established;
 - d) reject any distribution or pre-sale agreement with a domestic, foreign, or foreign-owned distributor which requires limiting or removing the producer's control of script approval, and selection of the film's director and principal performers.

Provincial Governments

Education and regulation of theatres fall under provincial jurisdiction. As a result, the co-operation of provincial governments is essential in certain critical areas of film production and distribution.

1. Provincial governments should undertake negotiations with the provinces to:
 - a) replace the dysfunctional voluntary agreements with legislated quotas for the exhibition of Canadian films, a measure which is supported by a majority of Canadians according to recent CROP public opinion surveys;
 - b) institute a quota for Canadian short films.
2. Provincial governments should undertake discussions with the Council of Provincial Ministers of Education with regard to:
 - a) reorganizing school purchasing of Canadian films (from the NFB and independent sources) on a basis which more accurately reflects school use ratios;
 - b) re-instituting NFB production of curriculum films designed to meet the specific needs of Canadian schools.

Book publishing

Industry structure

1. The Government of Canada should act forcefully to achieve the objective it announced in 1979 that "the Canadian-controlled sector of the book publisher/agent industry should play a dominant role in both the English and French language markets in Canada". This objective should be pursued using the powers of the Foreign Investment Review Agency and, if necessary, through separate legislative measures. Where necessary, loan capital assistance should be provided to facilitate the acquisition of book publishing companies now under foreign control.
2. The Government of Canada should expand its concern over the control of the book industry, adopting as its objective the achieving by Canadian-controlled companies of a dominant position in every aspect of book distribution.
3. The federal government should give substantial support to the development by the book publishing industry of systems for the improvement of book ordering and distribution in Canada.

Production

4. The continuing need for federal programs of direct subsidy for the publication of Canadian books provided by the Canada Council, the Social Sciences and Humanities Research Council, and other bodies should be recognized, and an immediate increase in the level of such assistance should be provided which will at least reflect the extent of recent production cost increases; and that periodic reviews be conducted to ensure that the support provided reflects changing cultural needs and priorities throughout Canada.
5. The federal government should continue to operate its Book Publishing Development Program until there has been a substantial expansion and an improvement in the financial position and performance of the Canadian-controlled sector of the book publishing industry.
6. Loan capital assistance should be provided through an appropriate agency of the federal government to permit the expansion of Canadian-controlled book publishing companies where such expansion will result in increased production of books by Canadian authors or improve the distribution structure for Canadian books.
7. If the Book Publishing Development Program is phased out, it should be replaced by an appropriate income tax incentive developed in consultation with the industry.
8. All agencies of the federal government, including in particular the Canadian Broadcasting Corporation and the National Museum Corporation, should adopt the current co-publishing policy of the federal government of making available to Canadian-owned and controlled book publishing companies all commercial book publishing projects which these agencies initiate; and that these agencies work closely with the book publishing industry to ensure that the potential for the use of research and program material prepared by the agencies as a basis for publication of Canadian books is maximized.

Magazine publishing

Production

1. The Department of Communications should carry out a study to determine to what degree Canadian advertisers are complying with the Income Tax Act rules concerning the deductibility of media advertising expenditure, and to determine whether major foreign magazines coming into Canada are violating the customs regulations which restrict to 5% the advertising such magazines may carry that is directed to Canadian consumers.
2. The Canada Council, in consultation with representatives of French and English language magazine publishing, should conduct a review of the scope, level and nature of its assistance to the Canadian magazine publishing industry and initiate an appropriate expansion of its current grant assistance.

3. The Government of Canada should expand its definition of manufacturing activity to include magazine publishing, thereby making the industry eligible for all assistance, including loan capital support, which is now available from the federal government.
4. The Government of Canada, on the basis of consultation with the Canadian magazine publishing industry, should implement tax measures which would stimulate private investment in the publishing of Canadian magazines.
5. The Government of Canada and its agencies should place their Canadian advertisements only in original Canadian magazines, and the government should increase its use of magazines as an advertising medium to the same level as the private sector.

Distribution

6. Financial assistance to foreign magazine publishers through subsidized distribution by the Post Office should be discontinued, both for foreign magazines "mailed in Canada" and foreign magazines "printed and mailed in Canada".
7. Second class postal rates for Canadian periodicals should not be raised for at least the next two years and Canada Post should provide Canadian magazines with specific delivery timetable guarantees to any destination in Canada.
8. In order to encourage the development of new magazines and to provide support to smaller minority interest magazines, the first 5,000 copies of Canadian magazines registered as second class mail should be delivered free by the Post Office.
9. The federal government should use its powers under the Foreign Investment Review Act to prevent any new foreign ownership of the periodical distribution system, and should work closely with the provincial governments to provide improved access to news-stand distribution for Canadian magazines.

Recording

Industry Structure

1. The Government of Canada should adopt the goal of achieving Canadian ownership and control of at least 50% of both the French and English language sectors of the record production industry and the record distribution industry in Canada. The Foreign Investment Review Agency's decisions on all record industry takeovers and new entries should reflect this objective, and where necessary, loan capital assistance should be provided to facilitate the acquisition of recording companies now under foreign control.

2. The Federal Department of Communications, in co-operation with the Canadian-controlled record production companies, should carry out research on the structure of the record distribution system in Canada and the implications of this system for the distribution of Canadian recordings.

Production

3. The Federal Income Tax Act should be amended as proposed by the French and English language Canadian recording industries to provide through appropriate Capital Cost Allowance provisions, an incentive for investment in the production of Canadian recordings which are produced by Canadian-owned and controlled recording companies.
4. Loan capital assistance should be provided through an appropriate agency of the federal government to permit the business-like expansion of Canadian-controlled record companies where such expansion will result in increased production of Canadian recordings and improve the distribution structure for Canadian recordings.
5. The Canada Council should expand its grant support program for culturally important recordings produced by Canadian-controlled recording companies to parallel and equal in scale the assistance now provided to Canadian book publishers for the publishing of Canadian authored books.
6. The mandate of the Canadian Broadcasting Corporation should be clarified to provide that agency with a specific and well-defined role in the production and distribution of Canadian recordings, giving particular attention to the recording of Canadian compositions, and the necessary funding should be provided to the CBC to permit this expansion of its activities.
7. Longer-term taxation measures, which would recognize and reflect the higher costs associated with initiating recordings in Canada rather than producing records from inexpensive imported master tapes, should be developed. These measures should be based on the objectives of strengthening the Canadian-owned and controlled recording companies and encouraging greater investment by the companies themselves in the production of recordings of Canadian musical performances and of Canadian music.

Promotion

8. The CRTC should increase to 10% its present requirement that 5% of the musical composition broadcast must have either music or lyrics written by a Canadian, require that 1/6 of all recordings broadcast as part of the required percentage of Canadian musical performances should be of new recordings as defined by the CRTC, and the effects of these policy changes should be reviewed carefully four years after their implementation.

Environmental arts

Federal cultural departments and agencies should include certain aspects of architecture, urban planning and design, landscape architecture, industrial design and interior design as part of their mandates, seek ways and means to encourage greater direct links between the arts and these related fields, and promote increased public awareness of, and demand for, the environmental arts as important instruments of cultural expression.

CCA ORGANIZATIONAL MEMBERS

as at December 18, 1980

Acadia University School of Music
 Les Activités du centre universitaire du Shippigan
 Actors Laboratorium / Le Théâtre de l'homme
 Advisory Committee on the Arts (London)
 Alberta Ballet Company
 Alberta Contemporary Dance Theatre
 Alberta Teachers Association Fine Arts Council
 Alberta Theatre Projects
 Algoma Arts Festival Association
 All About Us / Nous Autres Canada
 Alliance chorale canadienne
 American Federation of Musicians (Canadian Office)
 Anna Wyman Dance Theatre
 Art Association of Nfld. & Labrador
 Artcore Publishing & Communications Ltd.
 Art Gallery of Cobourg
 Art Gallery of Greater Victoria
 Art Gallery of Hamilton
 Art Gallery of Nova Scotia
 Art Gallery of Ontario
 Art Gallery of Peterborough
 Artmagazine
 The Arts Club of Vancouver Theatre Society
 Arts & Communications Counselors
 The Arts & Letters Club
 Arts Council of the Nanaimo District
 The Arts Council of Sault Ste Marie and District
 Arts Council - Windsor and Region
 Arts Etobicoke
 Arts Scarborough
 Associated Manitoba Festivals Inc.
 Association of Canadian Orchestras / L'association des Orchestres canadiennes
 Association of Canadian Publishers
 Association of Canadian Television and Radio Artists (ACTRA)
 Association of Cultural Executives / L'association des Directeurs
 d'institutions Culturelles
 Association for Native Development in the Visual & Performing Arts
 Association pour l'avancement des sciences et des techniques de la documentation
 (ASTED)
 L'Association des professeurs de musique du Québec /
 Quebec Music Teachers Association
 Association québécoise du jeune théâtre
 Association des responsables de l'enseignement des arts plastiques du Québec
 Association for Scottish Traditions and Art
 Atelier de réalisations graphiques de Québec
 Atlantic Filmmakers' Co-operative Ltd.

Atlantic Symphony Orchestra
 Les Ballets-Jazz de Montréal
 The Banff Centre
 Bastion Theatre
 Battlefords' Allied Arts Council
 B.C. Touring Council
 Bella Coola Valley Arts Council
 Berandol Music Ltd.
 Bishop's University Centennial Theatre
 Black Theatre Canada
 Book & Periodical Development Council /
 Société de développement du livre et du périodique
 Brantford Symphony Orchestra Association
 British Columbia Music Educators' Association
 Brock Centre for the Arts
 Saidye Bronfman Centre
 Samuel & Saidye Bronfman Family Foundation
 Burlington Cultural Centre
 Burlington Teen Tour Band
 Burnaby Art Gallery
 CJRT - FM (Toronto)
 Calgary Centre for Performing Arts
 Calgary Choral Society
 Calgary Philharmonic Society
 Calgary Region Arts Foundation
 Cambridge Public Library
 Canadian Academy of Recording Arts and Sciences
 Canadian Actors' Equity Association
 Canadiana Galleries
 Canadian Art Museum Directors' Organization
 Canadian Association of Broadcasters /
 L'association canadienne des radiodiffuseurs
 Canadian Association of Health, Physical Education & Recreation,
 National Dance Committee
 Canadian Association of Health, Physical Education & Recreation,
 Ontario Dance Committee
 Canadian Association of Music Libraries /
 Association canadienne des bibliothèques musicales (ACDM)
 The Canadian Association of Professional Dance Organizations /
 l'Association Canadienne des Organisations Professionnelles de la Danse
 Canadian Association of Youth Orchestras
 Canadian Authors Association / Société des écrivains canadiens
 Canadian Book Publishers Council
 Canadian Brass Music Productions Inc.
 Canadian Broadcasting Corporation / Société Radio-Canada
 Canadian Broadcasting League / Ligue de la radiodiffusion canadienne
 Canadian Centre for Films on Art / Centre canadien des films sur l'art
 Canadian Child & Youth Drama Association - New Brunswick /
 Association canadienne du théâtre pour la jeunesse - Nouveau-Brunswick
 Canadian Child & Youth Drama Association - Ontario /
 Association canadienne du théâtre pour la jeunesse - Ontario
 The Canadian Composer / Le Compositeur canadien

Canadian Crafts Council / Conseil canadien de l'artisanat
 Canadian Cultural Society of the Deaf Inc.
 Canadian Eskimo Arts Council
 Canadian Federation of Film Societies
 Canadian Federation of Music Teachers' Associations /
 Fédération des associations des musiciens éducateurs du Canada
 Canadian Film Institute / L'institut canadien du film
 Canadian Fiction Magazine
 Canadian Filmmaker's Distribution Centre
 Canadian Folk Arts Council / Le Conseil des arts populaires (Toronto)
 Canadian Guild of Potters
 Canadian Images Film & Photography Festival
 Canadian Independent Record Producers
 Canadian League of Composers
 Canadian Museums Association / Association des Musées canadiens
 Canadian Music Centre / Centre de musique canadienne
 Canadian Music Centre - B.C. Branch
 Canadian Music Educators Association /
 Association Canadienne des Educateurs de musique
 Canadian Music Council / Conseil canadien de la musique
 Canadian Opera Company
 Canadian Organization of Porcelain Art
 Canadian Parks - Rec. Association / Association canadienne des loisirs et parcs
 Canadian Puppet Festivals
 Canadian Recording Industry Association
 Canadian Society for Education Through Art /
 Société canadienne d'éducation par l'art
 Canadian Theatre Review Publications
 College of Cape Breton
 Carleton University Film Studies Department
 Carousel Theatre
 Carousel Players
 Catalyst Theatre Society
 CCMC Music Gallery
 Centre communautaire de Dorval
 Centre culturel de Shawinigan
 Centre des arts visuels / Visual Arts Centre (Montreal)
 Centre culturel franco-manitobain
 Centaur Foundation for Performing Arts
 Centre In The Square
 Centrale d'artisanat du Québec
 Le Cercle Molière
 La Chasse-Galerie
 La cinémathèque québécoise
 Citadel Theatre
 City of Ottawa Community Development Department
 Visual & Performing Arts Centre
 City of Whitehorse - Recreation Department
 City of Saint Albert Recreation & Cultural Services Dept.
 Colour and Form Society
 Columbia Valley Arts Council
 Community Arts Council of Chilliwack

Community Arts Council of Fort St. John
 Community Arts Council of Kamloops
 Community Arts Council of Richmond
 Community Arts Council of Vancouver
 Community Arts Council of Greater Victoria
 Community Music School of Greater Vancouver
 The Comox Valley Community Arts Council
 La Compagnie de danse Eddy Toussaint
 Comus Music Theatre
 Concours International de Montréal
 Concours de musique du Canada Inc.
 Concordia University Art Education Resource Centre
 Confederation College of Applied Arts & Technology
 Confederation Centre of the Arts
 Conseil canadien des arts populaires (Montreal)
 Conseil de la Culture de la Région de Québec
 Conseil acadien de coopération culturelle
 Conseil de Promotion et de Diffusion de la Culture (Moncton)
 Contemporary Dancers
 Content Magazine
 The Co-Opera Theatre
 Co-ordinated Arts Services
 Cornwall Arts Development Committee
 Côte Saint-Luc Public Library
 Council for Business and the Arts in Canada /
 Conseil pour les Affaires et les Arts au Canada
 Council of Canadian Filmmakers
 Council of Drama in Education
 Craftsmen's Association of B.C.
 Cranbrook & District Arts Council
 Cultural Federation of Nova Scotia
 DA CAPO Associates for the Arts
 Dalhousie University Art Gallery
 Dalhousie University Cultural Activities
 Dalhousie University Department of Music
 Dalhousie University, Dept. of Theatre
 Dance in Canada Association
 Dance Nova Scotia (DANS)
 Difar Incorporé
 Directors Guild of Canada
 Ecole des arts visuels
 Ecole nationale de théâtre du Canada / National Theatre School
 Ecole supérieure des Grands Ballets Canadiens
 Edmonton Art Gallery
 Edmonton Opera Association
 Edmonton Symphony Society
 The Emily Carr College of Art
 Fanshawe College of Applied Arts and Technology - School of Fine Arts
 Fédération des arts visuels
 Fédération des associations des musiciens éducateurs du Québec
 Federation of Canadian Music Festivals
 La Fenière (Théâtre d'été) Inc.

Fernie & District Arts Council
 Festival Concert Society
 Film Studies Association of Canada /
 Association canadienne des études cinématographiques
 Fort Malden Guild of Arts & Crafts
 Fredericton Art Club
 Frederick Harris Publishing Co. Ltd./Harmuse Publications
 Frog Print Puppet Theatre Inc.
 Gallery One
 Galerie Royale
 The Gallery/Stratford
 Glenbow-Alberta Institute
 The Glenhyrst Arts Council of Brantford Inc.
 Globe Theatre Productions Ltd.
 Le Grand Théâtre de Québec
 Les Grands Ballets Canadiens
 Great Canadian Theatre Company
 Green Thumb Players
 Grey-Bruce Arts Council
 Grimsby Public Art Gallery
 Groupe Nouvelle Aire
 Le Groupe de la Place Royale
 Guelph Spring Festival
 The Guild of Canadian Playwrights
 Hamilton Philharmonic Society Inc.
 Hamilton Place
 Hamilton and Region Arts Council
 Harbourfront Art Gallery
 Harbourfront - Performing Arts Department
 Hart/Murdock Artists Management
 Holland College School of Visual Arts
 Humber College of Applied Arts and Technology
 Huron Country Playhouse
 Inner City Angels
 Jeunesses Musicales du Canada
 Kawartha Festival Foundation
 Kelowna & District Arts Council
 Kingston Arts Council
 Kitimat Community Arts Council
 Kitchener-Waterloo Art Gallery
 Kitchener-Waterloo Symphony Orchestra Association
 Kodaly Institute of Canada
 Lampoon Puppet Theatre
 Langham Cultural Society
 Langley Arts Council
 Laurentian University Museum & Arts Centre
 League of Canadian Poets
 Leah Posluns Theatre
 Lethbridge Symphony Association
 London Regional Art Gallery
 London Symphony Orchestra Association

Long Beach Arts Council
 Loyalist College Library
 Macdonald Stewart Art Centre
 Magnus Theatre Co. North-West Inc.
 Malaspina College
 Manitoba Opera Association
 Manitoba Puppet Theatre
 Manitoba School for Theatre and Allied Arts
 Manitoba Theatre Centre
 Manitoba Theatre Workshop
 Manuge Galleries Limited
 Maritime Art Association
 Les Marionnettes de Montréal
 Mariposa Folk Festival
 Maritime Command Museum
 McGill Chamber Orchestra
 The Robert McLaughlin Gallery
 The McMichael Canadian Collection
 Medicine Hat Museum and Art Gallery
 Memorial University of Newfoundland Visual and Performing Arts
 Mermaid Theatre
 Mississauga Recreation & Parks Department Arts Unit
 Moulin des arts
 Mountain Dance Theatre
 Mount Allison University Faculty of Arts and Sciences
 Mt. St. Vincent University The Art Gallery & Museum
 Mount Waddington Regional Arts Council
 Musée d'art contemporain
 Music for Children
 Muskoka Summer Theatre
 Musée du Québec
 Musée des beaux-arts de Montréal
 Muttart Gallery Associates
 The NDWT Company
 National Arts Centre / Centre national des Arts
 National Ballet School / Ecole national du ballet
 National Ballet of Canada / Le ballet national du Canada
 National Film Board / Office national du film
 National Gallery of Canada / Galerie nationale du Canada
 National Library of Canada / Bibliothèque nationale du Canada
 National Multicultural Theatre Association
 National Museum of Man / Musée National de l'homme
 National Museums of Canada Corporation / Musée nationaux du Canada
 National Youth Orchestra Association of Canada /
 Orchestre nationale des jeunes du Canada
 Neptune Theatre Foundation
 N.B. Craft School and Centre
 New Brunswick Museum
 New Brunswick Youth Orchestra
 New Music Concerts
 Niagara Symphony Association
 North Vancouver Community Arts Council

North Bay Theatre & Arts Community Centre
 Northern Light Theatre
 Northwest Regional Arts Council
 North York Arts Council
 North York Symphony Association
 Nova Scotia Art Teachers Association
 Nova Scotia College of Art and Design
 Nova Scotia Drama League
 Nova Scotia Designer Craftsmen
 Nova Scotia Federation of Music Festivals
 The Oakville Centre
 Océola Arts Council
 Okanagan Mainline Regional Arts Council
 Okanagan Summer School of the Arts
 Okanagan Symphony Society
 One Third Ninth
 Ontario Association of Art Galleries
 Ontario Choral Federation
 Ontario College of Art
 Ontario Crafts Council
 Ontario Federation of Symphony Orchestras /
 La Fédération des orchestres symphoniques de l'Ontario
 Ontario Museum Association
 Ontario Music Educators' Association
 Ontario Potters Association
 Ontario Puppetry Association
 Ontario Society for Education Through Art
 Open Space Gallery
 Open Studio
 Open Circle Theatre
 Opera Canada
 Orchestre symphonique de Montréal
 L'Orchestre symphonique de Québec
 Organization of Saskatchewan Arts Councils
 The Orpheus Choir of Toronto
 Ottawa-Carleton Cultural Council
 Ottawa Symphony Orchestra
 Ottawa School of Art
 Ottawa Choral Society
 Owens Art Gallery
 The Paula Ross Dance Society
 P.E.I. Council of The Arts
 P.E.I. Craftsmen's Council
 P.E.I. Department of Tourism Industry & Energy, Handcraft Division
 Penticton Art Gallery
 Persephone Theatre
 Peter and Catharine Whyte Foundation
 Phoenix Theatre
 La Régie de la Place des Arts
 Playhouse Theatre Centre of B.C.
 Playwrights Canada
 Playwrights' Workshop (Montreal) Inc.

Pointe Claire Culutral Centre
 Presentation House Cultural Society
 Press Theatre
 Prince George and District Community Arts Council
 Prison Arts Foundation
 Les Productions de l'Etoile Inc.
 Professional Art Dealers Association of Canada /
 Association professionnelle des galeries d'art du Canada
 Professional Association of Canadian Theatres (PACT)
 Prologue to the Performing Arts
 Queen's University Performing Arts Office
 Quinte Arts Council
 Rainbow Stage Theatre
 Red Deer College, Drama Department
 Regina Modern Dance Works
 Regina Symphony Orchestra
 Restigouche Art Society
 Restigouche Gallery
 Robert Ramsay Limited
 Rodman Hall Arts Centre
 Royal Academy of Dancing
 Royal Architectural Institute of Canada
 The Royal Winnipeg Ballet
 Royal Canadian Academy of Arts / Academie Royale des arts du Canada
 The Royal Canadian College of Organists
 Royal Hamilton College of Music
 Ryerson Polytechnical, Theatre Department
 St. Clair College of Applied Arts and Technology, Applied Arts Department
 St. Francis Theatre Company (Festival Lennoxville)
 St. Francis Xavier University, Department of Music
 St. Lawrence Choir / Choeur St-Laurent
 St. Lawrence Centre
 St. Lawrence College - Creative Arts
 Saint John Arts Council
 Sarnia Public Library & Art Gallery
 The Saskatoon Art Gallery and Conservatory Corporation
 Saskatchewan Arts Board
 Saskatchewan Craft Council
 Saskatchewan Music Educators Association
 Saskatchewan Writers Guild
 Saskatoon Public Library Gallery
 Saskatoon Symphony Society
 Saskatoon Union of the Arts
 The Saxe Gallery
 School of Art, Gallery III
 Sculptors' Society of British Columbia
 Sculptors Society of Canada
 Le Secteur Culturel de la Fédération Acadienne de la Nouvelle-Ecosse
 Shaw Festival
 Shawnigan Summer School of the Arts
 Sheridan College Department of Performance Studies
 Sheridan College School of Crafts and Design

Simon Fraser University, Centre for the Arts
 Sir Sandford Fleming College Administration for the Creative Arts
 Sir George Williams Art Galleries Concordia University
 Slovan Valley & Arrow Lakes Community Arts Council
 The Smile Company
 Society for Art Publications (ArtsCanada)
 La société des auteurs et compositeurs
 Society of Canadian Artists
 Society for Recognition of Canadian Talent
 La Société des écrivains canadiens
 Société Pro Musica Inc.
 Société de musique GIMEL Inc.
 Southern Alberta Art Gallery
 Southern Alberta Opera Association
 Stratford Shakespearean Festival
 Stratton/Frank Associates
 Sunbury Shore Arts & Nature Centre Inc.
 Surrey Centennial Arts Centre
 Swift Current Allied Arts Council
 Swift Current National Exhibition Centre
 Tamahnous Theatre Workshop Society
 Tarragon Theatre
 Théâtre de Marjolaine Inc.
 Terrace and District Arts Council
 Thames Art Centre
 Theatre Aquarius Inc.
 Theatre Antigonish
 Theatre Arts Festival International
 Théâtre d'aujourd'hui
 Theatre B.C./B.C. Drama Association
 Theatre Ballet of Canada
 Théâtre de la Bascule
 Theatre Beyond Words
 Theatre Calgary
 Théâtre International de Montréal
 Theatre London
 Théâtre national pour enfants les pissenlits
 Theatre New Brunswick
 La Fondation du Théâtre du Nouveau Monde
 Theatre Ontario
 Theatre Plus
 Théâtre populaire du Québec
 Théâtre du rideau vert
 Theatre 3
 Théâtre du Trident
 The Three Schools of Art
 Thunder Bay Society of Ballet & Dance
 Thunder Bay Arts Centre
 Timmins Museum National Exhibition Centre
 Toronto Arts Productions
 Toronto Dance Theatre
 Toronto Mendelssohn Choir

The Toronto Symphony
 Toronto Theatre Alliance
 Toronto Workshop Productions
 Trail and District Community Arts Council
 La Troupe folklorique du Madawaska
 La Troupe folklorique des Sortileges, Inc.
 Twenty-Fifth Street House Theatre
 Galerie d'art de L'Université de Moncton
 The United Stage
 University of Alberta Art Gallery & Museum
 University of Alberta Department of Art & Design
 University of Alberta Department of Drama
 University of B.C. Creative Arts Program
 University of British Columbia Creative Writing Department
 University of Calgary Department of Drama
 University of Calgary Faculty of Fine Arts
 University of Guelph Division of Music, College of Arts
 Université Laval Faculté des Arts
 University of New Brunswick Creative Arts Committee
 University of Ottawa Department of Music
 Université de Québec à Montréal, Famille Arts
 Université du Québec à Montréal Département d'Histoire de l'Art
 University of Waterloo Centre for the Arts
 Université Sainte-Anne
 Université de Sherbrooke Centre Culturel
 University of Winnipeg Theatre Division
 Vancouver Art Gallery
 Vancouver Ballet Society
 Vancouver East Cultural Centre
 Vancouver Film Council
 Vancouver Museums & Planetarium
 Vancouver New Music Society
 Vancouver Opera Association
 Vancouver Society for Early Music
 Vancouver Symphony Society
 Vernon Community Arts Council
 The Victoria College of Art
 Victoria Conservatory of Music
 Victoria Symphony Society
 Victoria Playhouse Petrolia Inc.
 Ville de Jonquière Service des loisirs
 Visual Arts Centre of Newcastle
 Visual Arts Education Administrators
 Visual Arts Ontario
 Visual Arts Nova Scotia
 Walter Phillips Gallery
 West Kootenay Regional Arts Council
 West Vancouver Community Arts Council
 West Baffin Eskimo Co-operative Ltd.
 Westcoast Actors' Society
 Western Canada Art Association
 Western Canadian Opera Society

Western Canadian Theatre Company
Whitby Arts Inc.
Wilfrid Laurier University, Cultural Affairs Committee
The Winnipeg Folk Festival
Winnipeg Art Gallery
Winnipeg Symphony Orchestra
Women's Press Club of Toronto
The Writers' Union of Canada
Writers' Federation of Nova Scotia
Yorkton Art Centre
York University Faculty of Fine Arts
York University Programme in Arts Administration
Young People's Theatre

AFFILIATE MEMBERS

American Council for the Arts
American Federation of Musicians (N.Y.)
Association of College, University & Community Arts Administrators
Australia Council
Calouste Gulbenkian Foundation
Ministry for the Arts (Australia)
Opera America Inc.

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you ever get it finished.

Emanuel Xoc



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Conference
of the Arts

Conférence
Canadienne
des Arts

141, ouest Laurier Ave, West
Suite 707
Ottawa, Ontario
K1P 5J3
(613) 238-3561